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**National Endowment for the Arts**

**PERFORMANCE & ACCOUNTABILITY REPORT  
FISCAL YEAR 2011**

Submitted to the Congress,  
the Office of Management and Budget,  
the Department of the Treasury, and  
the Government Accountability Office  
November 2011

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# NATIONAL ENDOWMENT FOR THE ARTS

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## Performance & Accountability Report for Fiscal Year 2011 November 2011

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## *Fiscal Year 2011 Performance and Accountability Report ~ A Message from the Chairman ~*

I am pleased to present the National Endowment for the Arts' *Fiscal Year 2011 Performance and Accountability Report*. This report summarizes the Agency's performance and accomplishments – programmatically, financially, and operationally – during the past year.

### **Mission and Organizational Overview**

The National Endowment for the Arts (NEA) is a public agency dedicated to advancing artistic excellence, creativity, and innovation for the benefit of individuals and communities. Established by Congress in 1965 as an independent agency of the Federal government, the NEA extends its work through partnerships with State arts agencies, local leaders, other Federal agencies, and the philanthropic sector, reaching rural, suburban, and metropolitan areas in all 50 States, the District of Columbia, and special jurisdictions, as well as military installations – both here at home and overseas. The NEA is committed to providing the American people with access to the best of their artistic legacy and do so through achievement of three clear and unambiguous goals<sup>1</sup>:

- *Access to Artistic Excellence* – by supporting projects that encourage and support artistic excellence; preserve our cultural heritage; and provide access to the arts for all Americans.
- *Learning in the Arts* – by supporting projects that advance arts education for children and youth.
- *Partnerships for the Arts* – by developing and maintaining partnerships that support excellence in the arts – both new and established – bringing the arts to all Americans, and providing leadership in arts education.

We carry out our activities primarily with funds appropriated by the Congress to the NEA, but also with funds donated from the private sector and transfers from other Federal agencies. We pursue our goals primarily through grantmaking, but also through our leadership, convening, research, communication and dissemination, and partnership activities. All of these are discussed elsewhere in this report.

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<sup>1</sup> In effect through FY 2011; the Agency's FY 2012-2016 Strategic Plan established new goals beginning in FY 2012.

## **Performance Goals, Objectives, and Results**

This Performance and Accountability Report demonstrates the successes achieved by the National Endowment for the Arts through the following strategies:

- Serving as a national voice and leader for excellence in the arts.
- Awarding thousands of competitive grants and supporting leadership projects every year to encourage artistic excellence; broaden access to the arts; and advance arts education, creativity, and innovation.
- Ensuring complete geographic coverage of our programs.
- Providing focused leadership and careful management to improve Agency performance and productivity.

A vast array of Agency programs and initiatives are providing Americans with opportunities to experience the best of the arts. These include:

- A national research agenda to investigate the characteristics and contributions of arts and culture in American lives and communities.
- A new initiative, *Our Town*, built on the premise – confirmed through experience and empirical research – that the arts are essential to the lives of our people and the livability of our communities.
- Collaborations with other Federal agencies (e.g., the Departments of Education, Agriculture, Defense, Interior, Housing and Urban Development, and Transportation) in recognition of the ability of the arts to help them achieve their goals.
- Program Initiatives such as the *Big Read*; *Poetry Out Loud: National Recitation Contest*; and *Shakespeare for a New Generation*.
- Outreach through programs such as *Challenge America*; grant information workshops held in communities throughout the Nation; an online newsletter; our user-friendly Web site; and our latest efforts to improve communication through webinars, webcasting, and use of social media such as blogs, Twitter, and Facebook.
- Efficiency improvements obtained through expanded use of technology. For example, in the fall of 2011, piloting of the new NEA GrantsOnline™ system, which will allow application reviewers access to more application material in advance of panel meetings than in the past, and to score and comment on applications online, improving the efficiency and productivity of application review.



## **Looking Forward**

Upon my arrival at the NEA in 2009, I established a guiding principle that would inform my work at the Agency. This principle can be summed up in two words: “Art works.” These two words have multiple, synergistic meanings:

1. “Art works” is a noun. It is the books, crafts, dances, designs, drawings, films, installations, music, musicals, paintings, plays, performances, poetry, textiles, and sculptures that are the creation of artists.
2. “Art works” is a verb. Art works on and within people to change and inspire them; it addresses the need people have to create, to imagine, to aspire to something more.
3. “Art works” is a declarative sentence. Arts jobs are real jobs that are part of the real economy. Arts workers pay taxes, and the arts contribute to economic growth, neighborhood revitalization, and the livability of American towns and cities.

Since arriving, we have traveled across the Nation to learn and highlight the ways that art works in neighborhoods and towns across America. In July, I announced the inaugural round of *Our Town* funding, totaling \$6.575 million in grants to 51 communities in 34 States that have created public-private partnerships to strengthen the arts while shaping the social, physical, and economic characters of their neighborhoods, towns, cities, and regions.

Other efforts also have included development of our new Strategic Plan, released in October 2010, incorporating new goals, outcomes, and measurements that will apply to FY 2012 and beyond. The revised plan (available [on our Web site](#)) will serve as the framework for the Agency’s work going forward, shaping the Agency’s program guidelines and budget over the next five years.

## **Data Reliability**

The financial and performance data contained in this report are, to the best of our knowledge, complete and reliable. I am very pleased to report that during the course of our FY 2011 audit, the auditors identified no deficiencies or material weaknesses. Thus, the Agency has received its ninth consecutive unqualified opinion. Going forward, and in the course of implementing the revised Strategic Plan, continued emphasis will be placed on data reliability.



Rocco Landesman  
Chairman

November 15, 2011

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## ***Fiscal Year 2011 Performance and Accountability Report ~ Management's Discussion and Analysis ~***

### **Mission and Organizational Structure**

The National Endowment for the Arts is the Federal agency dedicated to advancing artistic excellence, creativity, and innovation for the benefit of individuals and communities. The Arts Endowment's successes are achieved through the following strategies.

- Serving as a national voice and leader for excellence in the arts.
- Awarding thousands of competitive grants and supporting leadership projects every year to encourage artistic excellence; broaden access to, engagement with, and understanding of the arts; advance arts education and life-long learning in the arts; and promote the livability of communities.
- Ensuring complete geographic coverage of our programs.
- Providing focused leadership and careful management to improve Agency performance and productivity.

The Arts Endowment supports excellent art with broad public reach in multiple disciplines across all 50 States, the District of Columbia, and special jurisdictions, reaching rural, suburban, and metropolitan areas, as well as military installations. We are committed to providing the American people with access to the best of their artistic legacy.

An independent Federal agency, the Arts Endowment was established by Congress in 1965 and is lead by a Chairman – appointed by the President and confirmed by the United States Senate – and advised by the National Council on the Arts. Currently, fourteen<sup>1</sup> private citizens are appointed by the President and confirmed by the Senate; six ex officio members are Members of Congress appointed by Senate and House leadership.

The Arts Endowment is structured around several major programmatic and administrative Divisions headed by two Deputy Chairmen, a Chief Information Officer (CIO), and several other office heads – all of whom report to a Senior Deputy Chairman, the Agency's Chief Operating Officer. The Senior Deputy Chairman reports to the Chairman, who also has a support staff and several office directors reporting directly to him. The major program Division, Programs and Partnerships, is chiefly responsible for handling the review of grant applications. An organizational chart can be found at the end of this section. In FY 2011, the Agency operated with a staffing level of approximately 165 full-time equivalents.

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<sup>1</sup> We have received approval from Congress (amendment to 20 U.S.C. 955(b)(1)(C)) to increase the number of voting members of the Council from 14 to 18.

## **Arts Endowment Status**

Critical to the Agency's success is the attention focused on leadership and careful management. We believe that the Arts Endowment continues to be quite successful in this effort; the following selected examples provide evidence.

### **1. Improved Grants Management**

*Interagency Efforts.* The Agency's Chief Information Officer and Grants & Contracts Officer continue to serve on various government-wide grant-related boards; collectively, their efforts have contributed to the development of standard financial assistance opportunity announcement templates, award document templates, financial and performance report formats for Federal grants and cooperative agreements with governmental and non-profit organizations, and uniform terms and conditions for government-wide requirements applicable to Federal awards; successfully advocating for reasonable charges for the participation of small agencies in Grants.gov; and participating in the development of grants personnel competencies with an Office of Personnel Management (OPM) task force, which led to OPM's issuance of the first-ever Grants Management Competency model for Federal agency use in human resource planning.

*Recovery Act.* As a result of our close monitoring and careful guidance, we have had 100% reporting compliance from our 701 Recovery Act grantees. All but two of these awards have been fully disbursed.

*Other Internal Efforts.* We continue to simplify our application requirements. Where possible, we have replaced hard copy application support items with electronic versions. Mirroring government-wide efforts, we have made many of our Agency-specific application forms "generic" so that they can be used across funding opportunities; we implement the use of new standard Federal forms as they are adopted; and we have developed tools that enable Agency staff to work more easily with electronic applications, making application processing more efficient and improving grant management. Based on experience with online scoring in the Challenge America Fast-track category and the electronic review of applications for the Recovery Act, the Agency is expanding electronic application review, beginning with a pilot of a new electronic application review system (NEA GrantsOnline™) in one discipline this year, and expanding across additional disciplines for applications being considered for FY 2013 support. The increased use of technology is expected to create efficiencies in the review process. Also, in response to our Strategic Plan for FY 2012-2016, we have developed new grantee application and reporting forms that will help us collect focused outcome-based performance data, beginning with applications for FY 2012 support.

*Improved Grantee Compliance.* Our efforts to help grantees improve their accountability and understanding of Federal grants include: financial management and compliance evaluations and limited scope audits of grantees conducted by the Agency's Office of Inspector General; regular revisions of the Agency's Terms and Conditions for Grants and Cooperative Agreements to ensure clarity and currency of guidance; and

increasing grantees' electronic access to information, particularly through the Agency's Web site (e.g., Grant-At-A-Glance, where grantees can access information about their current and past grants to help them manage their awards, and a downloadable and fillable Section 504 self-assessment workbook designed to assist award recipients in evaluating the current state of accessibility of their programs and activities to disabled visitors and employees). In addition, the Grants & Contracts Office continues to provide technical assistance in all areas of grants compliance, particularly evident in association with awards made under the Recovery Act.

## 2. Effective Outreach

*Grants Workshops.* There is great demand for funding from the Arts Endowment; as a result, the grant process is extremely competitive. The Agency is committed to broad public and geographic outreach; offering grants workshops, often hosted by Members of Congress, the Arts Endowment provides public service and important information to small and mid-size nonprofit organizations throughout the country. By providing general technical assistance to potential applicants and grantees at community, State, and national workshops and conferences, the Arts Endowment ensures that organizations serving underserved areas have knowledge of available funding opportunities. Since the inception of the program in 2002, more than 8,000 people have attended 110 workshops conducted in 32 States and Puerto Rico. These efforts have contributed to the fact that since FY 2005, nearly 1,850 organizations – from all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands – have received grants from the Arts Endowment for the first time.

*Leadership Initiatives.* Planning for and effective delivery of the Agency's leadership initiatives requires extensive interaction with arts organizations, school systems, and underserved communities throughout the Nation.

*International Efforts.* The Arts Endowment, through its international activities, raises awareness among other countries and cultures about the exemplary offerings of American artists, and exposes American audiences to works being created abroad. The Agency will continue efforts to strengthen cultural ties and promote the exchange of artistic resources between the United States and its international partners.

## 3. Strategic Management of Human Capital

We have established human capital (HC) strategies that enable us to carry out the Agency's Strategic Plan. We manage our HC programs consistent with applicable internal controls and merit-based principles, and we build our budgets and programs consistent with our available HC resources. We conduct assessments on an ongoing basis to ensure that our staffing level and competency mix are sufficient to operate effectively and achieve our mission. We take seriously the Administration's various hiring reform initiatives; one significant step we took in FY 2011 to improve the effectiveness and efficiency of our hiring process was to implement USAStaffing, a technology-enhanced recruitment and hiring tool.

We sustain a high-performing workforce as evidenced by our capacity to manage our demanding application and grant workloads without commensurate increases in resources. Training is critical to this effort, particularly as employees retire and new staff arrive; we make available annual leadership training to improve and enhance performance, and to serve as a key element of succession planning<sup>2</sup>.

We were very pleased that 75% of the Arts Endowment's employees responded to the 2011 Federal Employee Viewpoint Survey, compared with just 49% government-wide; we believe this reflects the high engagement of our work force. In fact, 96% of NEA employees said that when needed, they are willing to put in the extra effort to get a job done, and 89% said that they are constantly looking for ways to do their job better.

Through the President's SAVE Award contest – a contest for Federal employees to come up with ideas to save taxpayer dollars and make the government perform more effectively and efficiently – the Arts Endowment received a recommendation to transition to an automated time and attendance system. Subsequently, we entered into an interagency agreement with the National Finance Center, our payroll service provider, to use webTA, their Web-based time and attendance system. Implementation of the system began during FY 2011 and will be completed during early FY 2012.

#### 4. Expanded E-Gov

The National Endowment for the Arts has been an active partner in Grants.gov from its inception. We are pleased to report that we post electronic application packages for 100% of our funding opportunities; Fiscal Year 2011 was the fourth consecutive year for which electronic application via Grants.gov was required of all applicants, both organizations and individuals.

The National Endowment for the Arts has worked continuously with applicants to heighten their awareness and acceptance of Grants.gov; encouraging them to register with Grants.gov; and assisting their transition to using Grants.gov – relying upon customized instructions, workshops, and technical assistance. We continue to provide information and guidance in light of ongoing changes related to DUNS number and CCR registration for grant applicants and grantees. This year we focused particularly on changes required by the Federal Funding Accountability and Transparency Act's (FFATA's) introduction of sub-recipient reporting requirements, which went into effect at the beginning of FY 2011. The Agency also continues working internally to revise business practices to accommodate electronic applications. As noted above, we are engaged in an ongoing effort to increase the use of technology in our application review process.

In line with the government-wide Grants Management Line of Business (GMLoB) initiative, we received approval from OMB to address our need for a new grants management system with one developed and maintained by the National Endowment

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<sup>2</sup> The average years of Federal service for Agency staff is currently 15.2. At the end of FY 2011, 23.3% of Agency staff were eligible for optional retirement.

for the Humanities (NEH). The preliminary work began in FY 2008; it was put on hold during much of 2009 and 2010 because of the extraordinary demands of our Recovery Act program, but has since resumed. In the interim, NEH made the decision to move forward with development of an enhanced cloud-based grants management system (e-GMS); we are now working with them in a strategic partnership to jointly develop and implement the new system.

We are also working to ensure compliance with other applicable Administration initiatives such as those required by the Federal Funding Accountability and Transparency Act, which calls for a publicly-accessible and searchable database of all Federal grants and contracts.

5. Improved Financial Management

With the conversion of our legacy financial system to the Oracle-based fully-compliant financial system (Delphi) several years ago, we continue to experience significant improvements in reliability and timeliness of financial information. We also continue to participate in the Delphi users' group to ensure that Agency needs are considered in the development of system enhancements and upgrades.

6. Integration of Budget and Performance

We prepare our budget requests as performance budgets, with performance data integrated throughout. This integration ensures that Agency goals, programs, and budget categories are aligned with and mirror one another. Historically, indicators have been generally statistical in nature. However, in FY 2010, we engaged the services of a contractor to help us – as part of the revision process for our strategic plan – develop new goals, outcomes, and performance measures that will result in improved outcome-based performance measures. The bulk of the work was completed in FY 2010; however, the changes were not scheduled to take effect until FY 2012 (our strategic plan covers FY 2012-2016).

**Performance Goal Highlights: Trends and Actions**

Based on the Agency's previous strategic plan, the National Endowment for the Arts was committed through FY 2011 to serving the American people through three clear and unambiguous goals:

- *Access to Artistic Excellence* – by supporting projects that encourage and support artistic excellence, preserve our cultural heritage, and provide access to the arts for all Americans.
- *Learning in the Arts* – by supporting projects that advance arts education for children and youth.

- *Partnerships for the Arts* – by developing and maintaining partnerships that support excellence in the arts – both new and established – bring the arts to all Americans, and provide leadership in arts education.

For each of the above performance goals, we identified several outcomes that we intended to achieve, and we established performance indicators for each outcome – all of which tied directly back to our mission statement. Since FY 2011 has just ended, we cannot yet report on final accomplishments related to our grantmaking during that year. As we regularly explain in our annual performance reports, actual performance data from each fiscal year are not available until final reports on funded projects have been received. We have established a threshold of 90 percent of such reports as a level that allows us to make reliable assessments of actual performance. This threshold is usually reached within two years after the end of the fiscal year in which the awards were made (e.g., by the end of FY 2011, we had received approximately 94% of the FY 2009 final reports). These final reports include statistical data tied to our performance indicators that establish the degree to which we are accomplishing our objectives.

In each year's performance plan, we provide estimates of what will be accomplished as a result of our funding; with each year's performance report, we provide updated estimates, based on grantees' anticipated and actual accomplishments. For example, with FY 2011 funding, we now estimate that 27 million individuals will directly benefit from projects whose primary purpose is to make art widely available to the public. Other estimates of Agency-wide accomplishments from the more than 2,400 grants and cooperative agreements awarded that year include:

- More than 100 million individuals benefiting from Agency programs (exclusive of television and radio broadcast audiences), including 10 million children and youth.
- A combined audience of hundreds of millions receiving opportunities to benefit from Agency programs that support national and regional broadcast performances on radio and television, both single and recurring programs.
- 100 percent of Congressional districts receiving at least one direct grant.
- Nearly 3,000 communities participating in Agency-sponsored, discretionary projects – many benefiting from projects such as touring and outreach that take place in communities beyond that of the grant recipient.
- Approximately 5,000 communities participating in projects funded by a combination of Federal funds and State Arts Agency and Regional Arts Organization funds.
- 23,000 community organizations partnering with grantees on Arts Endowment-supported projects.



- Arts Endowment awards generating \$600 million or more in matching support; in our direct grant-making categories alone, this translates into a ratio of matching to Federal funds that far exceeds the required one-to-one match.
- Arts Endowment awards helping to make possible nearly 43,000 concerts, readings, and performances; 4,500 exhibitions (including visual and media arts); and 9,000 artist residencies in schools and other locations.
- Internationally, 77 U.S. professional arts organizations and more than 800 artists providing performances, exhibits, and other arts activities in 48 countries.

The grantees' final reports provide the information that allows us to report what we actually achieved across the country with our programmatic activities. We have found the actual results to be quite consistent with our projections, and periodic reviews of the grantee reporting process have confirmed the accuracy and relevance of our performance data. Thus, we believe that the performance data we receive (which are reported in our annual performance reports) indicate that our goals for these programs are being met, and the observations we receive from the panelists who convene to review grant applications and discuss program policies confirm that our programs are effective. We can also confidently assert the efficiency of our programs as we have continued to do more with modest increases in our resources.

### **Improper Payments Reporting**

The Arts Endowment has four major fund categories that comprise its "program inventory" (per OMB Circular A-136): Administrative; Program Support; Direct Grantmaking; and Partnership. None of these "programs" qualifies as risk-susceptible based on OMB guidance thresholds. Previous risk assessments for the National Endowment for the Arts indicate an insignificant risk for improper payments; over the past three years, the percentage of improper payments made has been below the threshold (less than 0.2%), and all payments found have been recovered. Due to our strong internal controls, and recent risk assessment and sample results, we believe that NEA has an insignificant risk of improper payments for the 2011 fiscal year. Based on our experience to date, the Agency has determined, with concurrence from OMB, that payment recapture audits for FY 2011 are not cost effective. However, as a result of new programmatic goals having been established through our FY 2012-2016 strategic plan, we do plan to perform an improper payment risk analysis for these revised programs in the next fiscal year.

### **Analysis of Financial Statements**

Underlying the Agency's programmatic achievements is our commitment to organizational excellence and sound financial management. The Arts Endowment's principal financial statements have been prepared to report the financial position and results of operations of the Agency, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Arts Endowment in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the

financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The Arts Endowment receives an annual appropriation of “no-year” funds from Congress, and has been granted authority to receive donations and invest in interest-bearing accounts. Accounts are maintained for restricted as well as unrestricted funding, and the same guidelines are used to account for both appropriated and non-appropriated funds. The Arts Endowment’s property, plant, and equipment are recorded at cost and are depreciated according to a written asset capitalization policy.

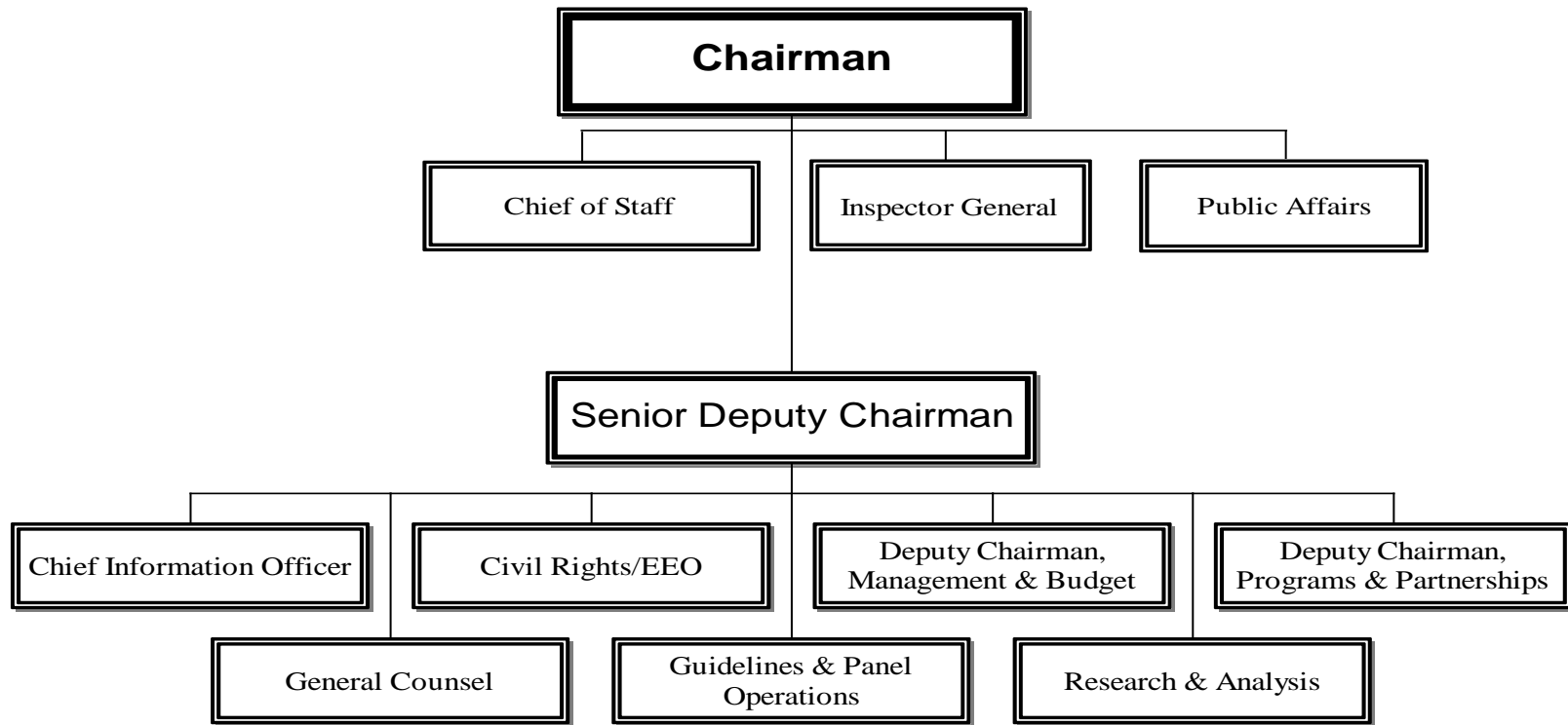
### **Systems, Controls, and Legal Compliance**

The National Endowment for the Arts is cognizant of the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and, where necessary, modify existing controls – and establish new ones as appropriate – to ensure that we are able to provide reasonable assurance that we are accountable for our resources. We also recognize the importance of using technology to enhance effectiveness and efficiency, as well as to ensure an adequate degree of internal control and compliance with applicable laws and regulations.

### **Future Effects of Existing Events and Conditions**

In previous years, we reported on the challenges presented by our reliance on an outdated grants management system (GMS); we have since taken decisive action to address this. With the approval of OMB, we began the process of establishing a strategic partnership with the National Endowment for the Humanities, through which we will migrate our outdated GMS to their e-GMS – a modern, flexible, cloud-based grants management system developed and maintained by the NEH in partnership with the Arts Endowment and one other Federal agency. We expect to see major improvements in our internal grants management and panel management processes as a result of this partnership; our grant applicants, grantees, and panelists will also find that doing business with the NEA will be easier and more flexible. Preliminary work is underway, and we expect to begin using the NEH e-GMS sometime in 2014.

*National Endowment for the Arts – FY 2011 Performance & Accountability Report*  
*Management's Discussion and Analysis*  
*Organization Chart*



## **NEA Strategic Plan FY 2006-2011**

### **Summary of Programmatic Goals and Outcomes**

<u>Goals</u>		
Access to Artistic Excellence	Learning in the Arts	Partnerships for the Arts
To encourage and support artistic excellence; preserve our cultural heritage; and provide access to the arts for all Americans.	To advance arts education for children and youth.	To develop and maintain partnerships that support excellence in the arts – both new and established – bring the arts to all Americans, and provide leadership in arts education.
<u>Outcomes *</u>		
1. Artists and arts organizations have opportunities to create, interpret, present, and perform artistic work.	1. Children and youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, State, or local arts education standards.	1. Activities supported through partnerships with state arts agencies and regional arts organizations make the arts and arts education widely available.
2. Audiences throughout the Nation have opportunities to experience a wide range of art forms and activities.	2. Teachers, artists, and others demonstrate knowledge and skills necessary to engage children and youth in arts learning, consistent with national, State, or local arts education standards.	2. Activities supported through partnerships with other public and private sector organizations make the arts and arts education widely available.
3. The arts contribute to the strengthening of communities.	3. National, State, and local entities demonstrate a commitment to arts learning for children and youth, consistent with national, State, or local arts education standards.	
4. Artistic works and cultural traditions are preserved.		
5. Organizations enhance their ability to realize their artistic and public service goals.		
* The outcomes refer to the intended results of Agency-funded grant projects and activities with arts organizations, arts service organizations, educational institutions, units of government, individuals, and other public and private sector organizations involved in arts activities.		



## *Fiscal Year 2011*

### *Performance and Accountability Report*

*~ Management Assurances ~*

#### **Overall Internal Control**

The National Endowment for the Arts' management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Arts Endowment conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Arts Endowment can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

#### **Internal Control over Financial Reporting**

The National Endowment for the Arts conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with *OMB Circulars A-123, Management's Responsibility for Internal Control*, and *A-136, Financial Reporting Requirements*. Based on the results of this evaluation and that of our independent auditors, the National Endowment for the Arts can provide reasonable assurance that internal control over financial reporting as of September 30, 2011, was operating effectively, and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

**Table 1.****Summary of Financial Statement Audit**

Audit Opinion		Unqualified			
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0

**Table 2.****Summary of Management Assurances**

<b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
Statement of Assurance		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>						
Statement of Assurance		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
<b>Conformance with financial management system requirements (FMFIA § 4)</b>						
Statement of Assurance		Systems conform				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A						
<i>Total non-conformances</i>	0	0	0	0	0	0
<b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>						
		Agency		Auditor		
Overall Substantial Compliance		Yes		Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		



Rocco Landesman

Chairman

November 15, 2011





## ***Fiscal Year 2011 Performance and Accountability Report ~ Performance and Impact ~***

In this section, we provide documentation of the impact of the Agency's programs, projects, initiatives, and activities. We present this information in five groupings.

**Agency-Wide Program Accomplishments** – Cumulative information on the impact of Agency activities, projects, and initiatives.

**Achieving Agency Performance Goals** – Information on the impact of Agency activities, projects, and initiatives by Agency goal, including specific project examples.

**Leadership Initiatives** – Information on the impact of the Agency's leadership initiatives, projects that cut across all Agency goals.

**Research and Analysis** – Summary information on Agency research activities intended to inform the American public, opinion makers, and the arts field.

**GPRA Performance Reports** – Quantitative reports for fiscal years 2006 – 2011.

## **Agency-Wide Program Accomplishments**

The Agency's funding of programs, projects, and initiatives resulted in the development and delivery of broad services to the American public. Based on activity to date (excluding awards made through the American Recovery and Reinvestment Act of 2009) and information from Agency awardees for FY 2011, we can report and anticipate the following:

- **Approximately 2,400 awards were made in communities in all 50 States and six special jurisdictions.**
- **More than 100 million individuals will benefit from Agency programs (exclusive of television and radio broadcast audiences) including 10 million children and youth.**
- **A combined audience of hundreds of millions will benefit from Agency programs that support national and regional broadcast performances on radio and television, both single and recurring programs.**
- **100 percent of Congressional districts received at least one direct grant.**
- **Nearly 3,000 communities will participate in Agency-sponsored, discretionary projects – many benefiting from projects such as touring and outreach that take place in communities beyond that of the grant recipient.**
- **Approximately 5,000 communities will participate in projects funded by a combination of Federal funds and State Arts Agency and Regional Arts Organization funds.**
- **23,000 community organizations will partner with grantees on Arts Endowment-supported projects.**
- **Direct Arts Endowment awards will generate \$600 million or more in matching support; this translates into a ratio of matching to Federal funds of greater than 7:1, far exceeding the required 1:1 match.**
- **Arts Endowment awards will help make possible nearly 43,000 concerts, readings, and performances; 4,500 exhibitions (including visual and media arts); and 9,000 artist residencies in schools and other locations.**
- **Internationally, 77 U.S. professional arts organizations and more than 800 artists will provide performances, exhibits, and other arts activities in 48 countries.**

## **Achieving Agency Performance Goals**

The achievement of the Agency’s programmatic accomplishments currently (through FY 2011) occurs through three programmatic goals: Access to Artistic Excellence, Learning in the Arts, and Partnerships through the Arts, as follows.

### **Access to Artistic Excellence**

Through Access to Artistic Excellence, the Arts Endowment encourages and supports artistic excellence, preserves our cultural heritage, and provides access to the arts for all Americans. Approximately 85% of the Agency’s FY 2011 Direct Endowment Grant funds were devoted to this effort, reflecting the high priority afforded to ensuring access to the arts for all Americans. The following table highlights accomplishments made possible with this funding, excluding funds awarded through the American Recovery and Reinvestment Act of 2009 (ARRA).

*Access to Artistic Excellence*  
**Selected Performance Results – FY 2006-2011**

<b>Fiscal Year</b>	<b>Total Non-Broadcast Audience</b>	<b>Children/ Youth</b>	<b>Concerts/ Readings/ Performances</b>	<b>Exhibitions</b>	<b>Artist Residencies</b>
2006 Current	73 m	12 m	51 k	4.3 k	5.8 k
2007 Current	60 m	6 m	37 k	4.8 k	6.4 k
2008 Current	74 m	6.5 m	39 k	4.1 k	5.2 k
2009 Current	69 m	7.6 m	43 k	4.3 k	6.3 k
2010 Current	103 m	9 m	41 k	6.3 k	7 k
2011 Projected	107 m	9 m	38 k	4.0 k	6.4 k

*[Numbers are rounded. k=thousand; m=million.]*

The cumulative accomplishments reflected in this table result from the 2,200-2,700 direct grants and cooperative agreements awarded under this goal each year. Examples of specific programs, awards, and their direct impact are presented below according to: Grants for Arts Projects, Arts on Radio and Television, Save America’s Treasures, and International Activities.

### **Grants for Arts Projects: *Access to Artistic Excellence* examples from FY 2011:**

In **Riverside, California, Regents of the University of California at Riverside** received a \$15,000 matching grant in FY 2011 to support the creation and presentation of a multidisciplinary work at the Culver Center for the Arts. Visual artist Lewis deSoto and mezzo soprano Erin Neff will create a new work based on the local Native American stories of the primordial creature Tahquitz. As a result of the new work, to include three artist participants, and its subsequent presentation with

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one lecture / demonstration / workshop, the university anticipates as many as 387,000 persons will benefit from the project.

In **LaGrange, Georgia**, the **LaGrange Symphony Orchestra, Inc.** received a matching \$10,000 Challenge America *Fast-track* grant in FY 2011 to support the creation and presentation of a new work by composer Lee Johnson. The new work celebrates 19<sup>th</sup>-century African American architect Horace King, who worked throughout the south and settled in Troup County where the LaGrange Symphony is located. Forty-eight artists and 30 children / youth were expected to participate in the presentation, with an estimated 540 individuals benefitting from the project.

In **Grand Forks, North Dakota**, the **North Dakota Museum of Art** was awarded a \$20,000 matching grant in FY 2011 to support the commissioning and related costs of a new work by artist Tim Schouten for the museum's INTO THE INTERIOR: THE SPIRIT LAKE RESERVATION project. The commissioned artist will be invited to create work that documents and reflects upon the late 19<sup>th</sup> century resettlement that placed Indian people on reservations. The museum anticipates that as many as 200 artists, 40 teachers, and 12,000 children / youth will participate in and benefit from the project, and that audiences are expected to total 80,000.

In **Arlington, Virginia**, **Signature Theatre, Inc.** received a \$50,000 matching grant in FY 2011 to support the world premiere musical *And the Curtain Rises*, with music by Joseph Thalken and lyrics by Mark Campbell. Ten community organizations were expected to partner with the theater to carry out the project. It is anticipated that as many as 10,000 individuals will have benefited as a result of the planned 40 performances with 38 artists and 20 children / youth. Also planned were three lectures / demonstrations / workshops.

In **St. Paul, Minnesota**, **Skylark Opera** received a \$20,000 matching grant in FY 2011 to support the fourth annual Summer Opera Festival. The event took place at the E.M. Pearson Theatre at Concordia University in St. Paul, Minnesota. Performances included presentations of two American works: *On the Town* by composer Leonard Bernstein and *The Vagabond King* by composer Rudolf Friml. Of the planned 8 performances and 10 lectures / demonstrations / workshops that involved 75 artists and 100 children / youth, it was anticipated that as many as 2,600 persons benefitted from the project.

In **Port Gibson, Mississippi**, **Mississippi Cultural Crossroads, Inc.** was awarded a Challenge America Fast-Track grant of \$10,000 in FY 2011 to support production of the oral history magazine, *I Ain't Lying*. The new publication will feature interviews and photographs of elder community members taken by middle and high school students under the guidance of a local writer, photographer, and visual artists. Five community organizations are expected to partner to carry out the project, with the participation of three artists, four teachers, and 15 children / youth. It is anticipated that a total of 1,000 persons will benefit from the project.

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In **Kansas City, Missouri, Friends of Chamber Music** received a \$15,000 matching grant in FY 2011 to support presentations of chamber music, solo piano, early music, and educational programs. The project was to include eight concerts and two “What Makes It Great?” educational programs, and the participation of 54 artists and 1,000 children / youth. As a result of all planned activities, it was anticipated that as many as 4,500 individuals would benefit from the project.

In **Butte, Montana, Mainstreet Uptown Butte, Inc.** was awarded a \$45,000 matching grant in FY 2011 to support the “First Peoples’ Gathering” component of the Montana Folk Festival. The gathering provided a prominent place for approximately 300 Native American artists from across Montana and the Intermountain West to highlight their culture and heritage through presentation of traditional music and dance, as well as traditional and contemporary visual arts. Three community organizations were to partner with Mainstreet Uptown Butte to carry out the project of 50 concerts / performances, 10 lectures / demonstrations / workshops, and 5 exhibitions. It was anticipated that up to 150,000 people, including 35,000 children/youth, would benefit from the project.

In **Omaha, Nebraska, Film Streams, Inc.** received a \$25,000 matching grant in FY 2011 to support the exhibition of repertory film and special programs. Programming was to include screenings of classic films, themed series, director retrospectives, and the presentation of contemporary work with visiting filmmakers. Execution of the project was to be supported by a partnership of 35 community organizations and the active participation of 20 pre-K through grade 12 schools. Two apprenticeships / internships were also being offered. Project plans included two performances / readings, six exhibitions, and 25 lectures / demonstrations / workshops on as many as 90 artworks, involving 110 artists, 200 teachers, and as many as 4,000 children / youth. It was anticipated that a total of up to 15,000 persons would benefit from the project.

In **Woodstock, New York, Maverick Concerts, Inc.** received an FY 2011 matching grant of \$12,500 to support the 96<sup>th</sup> annual summer chamber music festival titled *The Virtuoso Composer: Liszt, Mahler, Bernstein and Friends*. The festival will feature a chamber orchestra setting of Leonard Bernstein’s *Songfest* adapted by music director Alexander Platt, as well as performances by pianists Andrew Armstrong and Babett Hierholzer; Brooklyn Rider string quartet; soprano Nancy Allen Lundy; baritone Philip Cutlip; and the Maverick Chamber Players. Project participants will include 75 artists, one teacher, and 500 children / youth. As a result of the planned 16 concerts / performances and two lectures / demonstrations / workshops, it is anticipated that a total of 3,200 persons will benefit from the project.

In **Nashville, Tennessee, the Nashville Shakespeare Festival** received a \$15,000 matching grant in FY 2011 to support the 24<sup>th</sup> annual free outdoor “Shakespeare in the Park” production of *Romeo and Juliet* directed by David Wilkerson. The production was expected to provide numerous opportunities to develop artists including student internships, 50 hours of intensive theater training, and casting of a diverse group of 12-14 high school and college students from across the Middle

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Tennessee region in supporting roles. A total of 15,000 people were expected to benefit from the project.

In **Burlington, Vermont, Jeh Kulu Dance and Drum Theater, Inc.** was awarded a \$10,000 matching grant in FY 2011 to support the 17<sup>th</sup> annual “West African Dance and Drum Festival.” Master artists from Guinea and Senegal will offer a series of 25 planned workshops and a performance of traditional West African music and dance, culminating with a West African dance performance featuring many of the master artists and workshop students. Participants who are projected to benefit will include 250 artists, 30 teachers, and 150 children / youth.

In **Dodgeville, Wisconsin, Folklore Village Farm, Inc.** received a \$25,000 matching grant in FY 2011 to support the preparation, presentation, and documentation of the 2011 Midwest Folklife Festival in August. The Festival was to feature approximately 60 folk and ethnic artists presenting traditions from Wisconsin, Illinois, Minnesota, and Iowa in two days of concerts, demonstrations, discussions, and educational activities. Four community organizations were to partner with Folklore Village Farm to carry out the project. Of the planned 20 concerts / performances involving 56 artists, three teachers, and 300 children / youth, and 50 lectures / demonstrations / workshops, it was expected that up to 1,700 persons would benefit from the project.

In **Rapid City, South Dakota, First Peoples Fund** received a \$25,000 matching grant in FY 2011 to support “Empowering Native Artists; Strengthening Native Communities.” The project will provide American Indian artists with programs that provide artistic, professional, and business development, thus strengthening the tradition. Twelve new artworks by 12 different artists will be created, and it is anticipated that a total of up to 400 persons will benefit from the project.

In **Lafayette, Louisiana, Louisiana Folk Roots, Inc.** received a \$35,000 matching grant in FY 2011 to support the 2011 “Dewey Balfa Cajun and Creole Heritage Week.” The project featured a comprehensive cultural immersion program that taught, interpreted, and celebrated Cajun and Creole cultural heritage, including music, dance, foodways, native crafts, and storytelling. The project was to include 235 lectures / demonstrations / workshops / symposia, and 14 concerts / performances / readings, involving the participation of 140 artists and 350 children / youth. It was estimated that as many as 2,600 people would benefit from the project.

In **Portland, Maine, the Telling Room** was awarded a \$14,000 matching grant in FY 2011 to support “The Way Life Should Be,” a free literary arts project. Designed in partnership with the SALT Institute for Documentary Studies, the year-long project will help immigrant students use a variety of media to creatively document stories from their homeland and the impact of resettlement in Maine, culminating in an anthology of student writing, short films, and photographs. Planned activities include 10 concerts / performances / readings, 60 lectures / demonstrations / workshops / symposia, one curated / presented exhibition, and publication of 3 books and/or catalogues, identifying / documenting as many as 15 artworks. Five pre-K through grade 12 schools are expected to participate actively, involving 180 children / youth



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and 18 teachers. Five apprenticeships / internships will also be offered, plus nine artists' residencies. It is anticipated that as many as 500 individuals will benefit from the project.

In addition to activities noted above, through our **Arts on Radio and Television** funding area the Arts Endowment supports nationally broadcast performances of quality arts programs on radio and television that reach, through both single and recurring programs, a combined audience in the hundreds of millions annually. Here is one example of recent awards:

In **Boston, Massachusetts, From the Top, Inc.** was awarded a \$60,000 matching grant in FY 2011 to support the production of the public radio series *From the Top*, a weekly, hour-long radio program that features performances by young classical musicians ages 8 to 18. With the assistance of two community organizations partnering to carry out the project, it is anticipated the program will provide 18 concerts through 52 hours of radio broadcasts, reaching a total audience of approximately 34,600,000.

**Save America's Treasures** grants support preservation and/or conservation of nationally significant intellectual and cultural artifacts and historic structures and sites. Since the start of the program in 1999, the Arts Endowment has been responsible for the review of applications requesting funds for the conservation of nationally significant art works and collections. **Save America's Treasures** funds are provided to the Arts Endowment from the National Park Service and matched with at least an equal amount of non-Federal funds. The following example highlights the FY 2011 awards:

In **Pleasantville, New York, the Meserve-Kunhardt Foundation** was awarded a \$69,008 matching grant in FY 2011 to support conservation of the work of the photographer Gordon Parks, who documented more than 60 years of African American culture. The collection includes more than 5,000 photographic prints and more than 22,000 negatives, slides, and contact sheets. Statistics are not currently available on total anticipated audience.

The Arts Endowment **supports** International Activities to promote the presentation of American arts and artists at international venues and to provide short-term residencies of foreign artists in the United States. Here is one example of the Agency's international projects:

- **USArtists International**, in partnership with Mid Atlantic Arts Foundation, supports performances of American dance, theater, and music ensembles at international festivals abroad. The addition of the theater category and expansion to festivals worldwide was made possible through generous support from the *Andrew W. Mellon Foundation*. In FY 2010, 857 American artists performed in 38 countries over 6 continents offering audiences abroad a dynamic and diverse representation of the non-profit cultural sector in the United States. These performances provided a balance to the presentations of U.S. popular culture that are widely accessible internationally. In addition, the international festival setting

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allowed artists to interact with colleagues from many nations and was valuable for the creative and professional development of American artists.

**Learning in the Arts for Children and Youth**

Through *Learning in the Arts*, the Agency supports projects that help children and youth acquire knowledge, skills, and understanding of the arts in school-based and community-based settings. The following table highlights accomplishments made possible through this funding, excluding funds awarded through ARRA.

***Learning in the Arts***  
**Selected Performance Results – FY 2006-2011**

<b>Fiscal Year</b>	<b>Children/ Youth</b>	<b>Concerts/ Readings/ Performances</b>	<b>Artist Residencies</b>
2006 Current	.4 m	2.1 k	2.9 k
2007 Current	.6 m	3.2 k	3.1 k
2008 Current	.5 m	4.8 k	3.1 k
2009 Current	.5 m	4.4 k	2.2 k
2010 Current	.7 m	6.2 k	2.5 k
2011 Projected	.9 m	5.1 k	2.8 k

*[Numbers are rounded. k=thousand; m=million.]*

The accomplishments listed in this table result from the several hundred direct grants awarded under the Learning in the Arts goal each year.

**Grants for Arts Projects: *Learning in the Arts* examples from FY 2011:**

In **Sitka, Alaska**, **Alaska Arts Southeast, Inc.** received an FY 2011 matching grant of \$52,000 to support arts education at the Sitka Fine Arts Camp, a residential multidisciplinary summer arts camp for middle and high school students in Alaska. Students will be taught dance, theater, music, creative writing, visual arts, and Alaskan Native arts by a faculty of artists and educators from around Alaska and the Nation. The project includes 24 concerts / performances / readings, and 8 lectures / demonstrations / workshops. Sixty-five pre-K through grade 12 schools are expected to participate actively, and four apprenticeships / internships will be offered. It is expected that six new artworks will be created, four exhibitions curated / presented, and one book and /or catalogue published. Project participants will include 50 teachers and 500 children / youth. It is anticipated that a total of 2,500 persons will benefit from the project.

In **Boise, Idaho**, the **Idaho Commission on the Arts** was awarded a \$30,000 matching grant in FY 2011 to support “ArtsPowered Schools,” a week-long professional development institute for elementary school teachers in collaboration

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with the Idaho State Department of Education. Teachers will participate with artists in visual arts, music, drama, or dance studios in the mornings, develop lessons in the afternoons, and attend evening performances, and then perform or exhibit work for one another at a closing event. Planned activities include 15 lectures / demonstrations / workshops / symposia and 8 artists' residencies. Along with the partnership of three community organizations expected to help carry out the project, 10 pre-K through grade 12 schools will participate actively, involving approximately 1,500 children / youth and 100 teachers, and 10 artists.

**In Baltimore, Maryland, the Greater Pikesville Recreation Council** received a \$10,000 matching grant in FY 2011 to support establishment of a boys' classical ballet training program at the Sudbrook Arts Centre, and a production of "The Nutcracker" by the Baltimore County Youth Ballet. The training program is expected to enroll approximately 20 boys, and audiences will exceed 2,000.

**In The Bronx, New York, Ghetto Film School, Inc.** was awarded a \$75,000 matching grant in FY 2011 to support the "Fellows Program," a free three-course immersion arts education program focused on narrative film storytelling. Working together, fellows study with a professional screenwriter, compete for crew positions (e.g., director or cinematographer) and receive advanced instruction in specialized areas. The project will include 126 lectures / demonstrations / workshops / symposia, and 5 concerts / performances / readings, involving the participation of 25 artists, 5 teachers, and 32 children / youth. With the assistance of six community organizations that will partner with Ghetto Film School to carry out the project, five apprenticeships / internships will be offered.

**In Providence, Rhode Island, Community Musicworks** received an FY 2011 matching grant of \$22,500 to support free music education and performance programs targeted to reach at-risk children and youth. The Providence String Quartet will be in residence to teach and mentor more than 100 students, as well as perform in its downtown storefront facility and other community venues. Five community organizations will partner with Community Musicworks to carry out the planned 30 concerts / performances and 10 lectures / demonstrations / workshops; two pre-K through grade 12 schools are expected to participate actively. Additionally, four apprenticeships / internships are planned. Project participants will include 50 artists, 11 teachers, and 500 children / youth. It is anticipated that a total of 1,500 people will benefit from the project.

### **Partnerships for the Arts**

Through *Partnerships for the Arts*, the Arts Endowment joins with a substantial network of public, private, and nonprofit agencies and organizations for the purpose of developing and maintaining partnerships that support excellence in the arts, both new and established; bring the arts to all Americans; and provide leadership in arts education. Examples of State/Regional and Federal Partnership programs, grants, and impact are presented below.

## **State/Regional Partnerships**

- **Forty percent (40%) of the Agency’s grantmaking funds are awarded to the State Arts Agencies (SAAs) and their Regional Arts Organizations (RAOs) through Partnership Agreements.** In recent years, more than 2,000 communities have been served each year through grants made possible by these agreements.
- Partnership funds to State Arts Agencies and Regional Arts Organizations are used for grantmaking and special initiatives in areas such as arts education and reaching underserved communities, and for staff and/or administrative support. Examples of recent activity carried out with NEA Partnership funds are:

- The **Alaska State Council on the Arts (ASCA)**, in consultation with the Alaska Department of Education and Early Development, works with three diverse school districts on a new Arts in Education Initiative, entitled New Visions, which includes adaptations to the traditional Artist in the Schools residency model. Districts were chosen because of the absence of arts curriculum, professionally trained staff, and dedicated resources for arts instruction and assessment. Superintendents in these districts committed district staff and matching resources for a five-year period to re-design the role of Teaching Artists, adopt standards-based arts curriculum, and provide sustained teacher training in arts integration. The districts are carefully documenting processes in order to share impacts with other districts and state level administrators.

Through an NEA Folk and Traditional Arts Program grant, the Council hosted three traditional northern Athabascan snowshoe masters and apprentices to work at the Anchorage Museum at Rasmuson Center during the first week of May, 2011; the program was part of ASCA’s ongoing Living Cultural Treasures Program. The residency was designed to strengthen infrastructure for Alaska’s Folk and Traditional Arts and artists, and included in-depth documentation of the cultural knowledge of specific individuals about endangered Athabascan art forms.

- The **California Arts Council’s Creating Public Value through the Arts** program supports small arts organizations in rural and underserved inner city areas to implement projects designed to make a positive contribution to their communities. The projects focus on “The Three Rs:” Relationships (building partnerships), Relevance (to their audiences and community), and Return on Investment (making the case to the authorizing environment).
- As a result of the **Mississippi Arts Commission’s** work in arts recovery following Hurricanes Katrina and Rita, the agency has developed an emergency preparedness plan in order to have a framework in place for dealing with future disasters. The plan has been sent to artists and organizations around the State and is on the agency web site. The information

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has been shared with other State arts agencies, as well as regional and national entities. MAC has provided advisory assistance to other State arts agencies dealing with natural disasters, including California and Iowa. The agency is also part of a national task force that is formulating a nationwide emergency plan for State arts agencies and their constituents.

- **The Nebraska Arts Council's Office on Wheels** makes annual visits to rural cultural institutions and local arts agencies to provide grant writing and other technical assistance, undertake audits, speak at service clubs, and provide other services such as facilitating board retreats and meeting with county boards or other elected officials.
- The **Oklahoma Arts Council** created the **Leadership Arts Academy** to foster development of arts leaders and arts-active communities in Oklahoma. In addition to developing a statewide network of community arts leaders, this program was also designed to raise public awareness of the arts and convey how the arts and cultural development can be harnessed to create economic opportunity, provide a high quality of community life, and ignite the creative potential of Oklahoma's youth. Classes have been held annually since 2008.
- The **Tennessee Arts Commission's** Community Arts Development program is an active participant in the TN Department of Economic Development's **Three-Star Program**, a statewide initiative that assists local communities in recognizing and maximizing their assets for job growth and economic security. Successful completion of the program positions communities to apply for Federal Community Development Block Grants. The Arts Commission's involvement in developing the Three-Star Program, and the agency's continued participation, demonstrates the Commission's role as a leader among State agencies and that the arts are a driving force of Tennessee's economy.
- Coordinated by the **Virginia Commission for the Arts**, **MINDS WIDE OPEN: Virginia Celebrates Women in the Arts** launched in 2010 as the first statewide arts celebration of its kind. More than 300 Virginia arts and cultural organizations – including history museums, libraries, and churches – and artists collaborated to present the inaugural theme, which honored the contributions by women to arts and culture. The celebration included more than 10,000 arts events and programs in 400 localities across the State. A second **MINDS WIDE OPEN** celebration, in the spring of 2012, will highlight art by, about, or for children.
- The **Washington State Arts Commission**, along with WESTAF and the Seattle Office of Arts and Cultural Affairs, developed the **Creative Vitality Index (CVI)**, a tool that has expanded the Commission's ability to discuss and demonstrate the economic impact of the arts in the State. Using readily available, inexpensive data, the CVI tracks arts-related employment and community participation in the arts for the State, the city of Seattle, and

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twelve workforce development areas. The CVI has been a valuable tool in discussions with the Governor's office, legislators, and other State government agencies, providing a framework of understanding that allows the Arts Commission to participate in emerging conversations about the creative economy. The CVI is now being used by Oregon, Delaware, and North Carolina, among others.

In 2011, the Arts Commission incentivized local use of the CVI in five communities selected to participate in a pilot project that provides customized training by WESTAF researchers, including technical support; free access to CVI Data on Demand, with customizable queries and reports (valued at up to \$6,000 per year); creative economy webinars; and a \$1,000 grant from the Arts Commission to support related publications, training, or other costs.

- In an attempt to reach underserved communities, the **West Virginia Commission on the Arts (WVCA)** introduced EZ Arts Access, which offers a simplified application process and support for some costs not usually associated with WVCA grants. The successes of the pilot phase of the program lead the Commission to establish EZ Arts Access as a permanent grant program.

While still requiring basic planning, budgeting, and mission and goals development from its applicants, the EZ Arts Access grant program offers coaching to new or smaller organizations with less than \$30,000 annual budgets. Applicants can apply for up to 50% of total project costs, as opposed to only artist fees available in other grant programs, which can make all the difference in a small community that has little access to developed donor systems. The program has funded a total 15 organizations and has met goals since its inception by creating infrastructure and stability for these organizations to apply to other grant categories.

- The **Wisconsin Arts Board's Urban Artists Initiative** is a community development initiative focused on individual artists – especially those from communities of color – to help them develop the communication infrastructure and professional development opportunities that they identify as important. Over the past ten years, a series of focused meetings in Milwaukee, Madison, Wausau, Green Bay, Kenosha, and Racine have led to the establishment of local artist networks in each. The Arts Board discovered that artists from new immigrant communities are hesitant to connect with the Urban Artists Initiative work, so throughout the year they provide technical assistance to immigrant – especially Hmong and African – artists. They assist budding urban minority-run groups to strengthen their organizations internally, their programs, and the range of their fundraising efforts.

The Board also worked with the Robert E. Gard Wisconsin Idea Foundation and the School of the Arts at Rhinelander to create a workshop on the influence of the arts on community development, and worked with Americans



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for the Arts (a national nonprofit arts advocacy group) to quantify the economic impact of the arts and creative industries in Wisconsin.

- The six **Regional Arts Organizations** (RAOs) were created by State arts leaders, in partnership with the Arts Endowment and the private sector, to transcend State boundaries in order to provide broad public access to quality arts programming. RAOs respond to the special needs of each region and have proven their effectiveness in program development and delivery, particularly in assisting the Arts Endowment and other funders in touring theater, dance, and musical performances, and arts exhibitions regionally and nationally. The RAOs are essential partners in carrying out NEA initiatives such as *The Big Read*, *Poetry Out Loud*, and the *NEA Regional Arts Touring Program*. RAO programs encourage and support presenters and communities who are working to develop diverse audiences, as well as organizations working to serve urban, rural, and culturally-specific constituencies through arts programming. For example, Arts Midwest's World Fest program presents international musical ensembles in smaller Midwest communities in week-long intensive residencies. The residencies consist of school concerts, workshops, and outreach activities, and culminate in a public concert.

### **Federal Partnerships**

The *National Arts and Humanities Youth Program (formerly Coming Up Taller)* is a cooperative venture among the Arts Endowment, the Humanities Endowment, the Institute for Museum and Library Services, and the President's Committee on the Arts and the Humanities. The Program's \$10,000 awards, presented by the First Lady in a White House ceremony, recognize and focus national attention on exemplary after-school programs fostering the creative and intellectual development of America's children and youth through education and practical experience in the arts or the humanities. Here is one example of the exemplary organizations that received *National Arts and Humanities Program* awards from the Arts Endowment in FY 2010 (the 2011 awards have not yet been announced):

In **Woonsocket, Rhode Island**, the **RiverzEdge Arts Project Inc.** was awarded a \$10,000 grant in recognition for their work in engaging at-risk teens in a lifestyle of artistic expression, self-expression, self-discipline, and community service. Since 2004, 100 percent of the program's seniors have been accepted into college, including some of the Nation's leading art schools.

## **NEA Initiatives**

NEA initiatives provide an opportunity for the Arts Endowment to address special artistic or cultural needs – whether field- or geography-based. Many, as described earlier in this document, include substantial educational components. Highlights of current initiatives follow.

### **Our Town**

In January 2011, the Arts Endowment launched *Our Town*, a new grant opportunity for creative placemaking projects – projects that contribute to the livability of communities and help transform them into lively, beautiful, and sustainable places with the arts at their core. In this time of great economic disruption, *Our Town* holds enormous promise for communities looking to reignite their economies. Also, uniquely, these grants require a partnership with a local government – an essential ingredient for long-term success.

The Design staff answered more than 900 inquiries and the Arts Endowment received 447 Statements of Interest, representing a variety of creative placemaking projects. Organizations representing 112 projects were invited to submit full applications, 51 of which – located in a full range of geographic environments – were awarded grants. A wide range of planning, design, and arts engagement activities are being supported:

**Planning Projects** – Properly planning for creative placemaking is an essential part of any successful project. Recommended planning projects include mapping of local cultural assets, pre-development planning for cultural facilities and artist spaces, public art planning, creative district planning, as-well-as creative industry development planning.

**Design Projects** – Excellent design has been proven to lower operating costs and increase longevity of physical structures. Recommended design projects will fund many talented designers to work on public infrastructure – including public spaces, gateways, water basins, corridors and transportation hubs – and to design cultural facilities and artist spaces.

**Arts Engagement Projects** – Arts engagement recommended projects include a diverse set of community-focused festivals and exhibitions of visual, media, dance, music, film, and tribal art. Also recommended are a large number of public art projects – including exhibitions of temporary work by world-renowned and community-based artists, new permanent pieces, and job training around the conservation of existing works. Other engagement projects focus on education, including development of entrepreneurship activities for artists, and a project which engages suburban communities around urban design issues.

The overwhelmingly positive response to the *Our Town* guidelines and the 51 projects receiving support prove that communities understand the importance of their local creative assets, and are actively engaged in creative placemaking in a multitude of inventive and innovative ways. The creative placemaking supported in these

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recommended projects is building a more livable nation, one community at a time. Here are several examples of the inaugural round of *Our Town* projects:

The **City of Dubuque, Iowa** was awarded a \$100,000 matching grant to support planning related to the Dubuque Historic Millwork District (HMD). The HMD contains more than one million square feet of historic warehouse space ideal for urban mixed use development and will accommodate and showcase Dubuque's active arts and cultural communities. Project activities supported by the Arts Endowment will include development of designs for the renovation, restoration, and adaptive re-use of historic structures as cultural facilities and artist live/work spaces. The funds will also support engagement of artists and arts organizations in place-based planning and programming for the HMD. The project will be led by the City of Dubuque in partnership with Dubuque Main Street/Downtown Dubuque Cultural Corridor, with committed support from Gronen Restoration, Jeffrey Morton Associates, PLACE (Projects Linking Art, Community & Environment), the Dubuque Museum of Art, Dubuque County Fine Arts Society, Fly-By-Night Productions, Dubuque Art Center, and the Julien International Film Festival. The City of Dubuque has a population of 60,000 and is the oldest city in Iowa.

In **Burlington, Vermont**, **Burlington City Arts Foundation (BCA)** received a \$50,000 matching grant in FY 2011 to support the development of a master plan for City Hall Park, a green space at the center of Burlington's economic and civic life. Community outreach events, artist-led visioning sessions, and town hall meetings will inform the final layout of the park. Project activities also include identifying new and existing locations for public art, an improved landscape design, marketing and planning for cultural festivals, and artist markets in the park. The Burlington Business Association, Flynn Center for the Performing Arts, Merchants Bank, Preservation Trust of Vermont, King Street Center, and the City of Burlington will collaborate to drive the master planning process by engaging over 5,500 residents. The redesign for City Hall Park will improve economic activity in the surrounding area by connecting nearby businesses to the successful Church Street Marketplace and serving as a destination for Burlington's 40,000 residents and three million annual visitors.

In **Casper, Wyoming**, the **Nicolaysen Art Museum** was awarded a \$50,000 matching grant to support a pilot process by which public art is integrated into a low income housing community. An experienced artist will be selected to work with developers and residents to design and plan for public art and green space that will serve as a gathering place for residents of the housing complex and the local community. The project will take place at the Sunshine Apartments, located at a formerly blighted site on a highly visible intersection in downtown Casper, a town of 55,000 residents. The Nicolaysen Art Museum will oversee the artist selection process, and the Wyoming Development Authority, Grimshaw Investments & Development, and the City of Casper will construct, document, and evaluate the project with the goal of replicating the public art process in future affordable housing projects throughout the State.

### **Blue Star Museums**

*Blue Star Museums* is a national partnership among Blue Star Families, the National Endowment for the Arts, and museums across the country that offers free admission to active duty military personnel and their families between Memorial Day and Labor Day. Leadership support has been provided by MetLife Foundation through Blue Star Families. *Blue Star Museums* launched in the summer of 2010 as a way for museums to offer their appreciation to military families and enable them to enjoy the Nation's cultural heritage. Currently, there are more than one million active duty military in the United States, and an estimated 900,000 children whose parents have served in multiple deployments. In the summer of 2011, 1,526 *Blue Star Museums* in all 50 States, the District of Columbia, Puerto Rico, and American Samoa took part in the initiative. The total included 130 children's museums and science centers, and 744 museums joining the program for the first time this year.

The [2011 roster of participating Blue Star Museums](#) reflected the breadth of cultural institutions in the United States, from titans like the J. Paul Getty Museum in Los Angeles, California, to intimate historical sites like the [Carroll County Farm Museum](#) in Maryland. Other *Blue Star Museums* ranged from sublime ([the Chicago Botanic Garden](#)) to the unusual ([DeBence Antique Music World](#)). Essays by museum-going military families, interviews with curators, and other summer exploits were chronicled in the [Blue Star Blog](#).

### **Strategic National Arts Alumni Project (SNAAP)**

A collaboration among Indiana University, Vanderbilt University, and the Surdna Foundation, SNAAP will partner with at least 60 degree-granting institutions such as arts high schools, independent art and design colleges, and college and university art schools or departments to conduct a national survey of their arts alumni. The data from this and a field test previously undertaken of 13,000 arts alumni will be used to prepare a report addressing topics such as the relevance of arts training for non-arts careers and insights into how alumni are using their arts training in their careers and lives.

### **Mayors' Institute on City Design (MICD)**

Physical design is a fundamental tool that mayors can wield to positively affect the social well-being and economic vitality of their cities. The structure of the *Mayors' Institute* has remained the same since its inception: eight mayors, eight designers, and eight problems. Each mayor brings his or her city's most critical urban design issue to discuss. And, following a case-study method, general principles evolve out of specific problems. Mayors, architects, planners, landscape architects, and development experts, discuss ideas and engage in an animated debate. These dynamic sessions often advance creative solutions while imparting a healthy understanding of the value of design.

The *Mayors' Institute* has graduated more than 850 mayors – and involved more than 625 designers – since its first session in 1986. *MICD* activities in FY 2011 included national sessions in Santa Fe, New Mexico and Charleston, South Carolina, as well as a session in

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Sacramento, California. In addition to the host city mayors, these sessions included the mayors of Corpus Christi and Houston, Texas; Honolulu, Hawaii; Saint Paul, Minnesota; Augusta, Georgia; Syracuse, New York; Colorado Springs, Colorado; Tacoma and Vancouver, Washington; Columbia, South Carolina; Bridgeport, Connecticut; Charlotte, North Carolina; and Ventura, California.

*MICD* also honored its 25<sup>th</sup> Anniversary in 2011 with the National Mayors Summit on City Design in Chicago, Illinois. The Summit took the *MICD* model and expanded it into a two-and-a-half day event for more than fifty mayors from across the country. It provided these mayors with the opportunity to discover and share the latest in urban design thinking, interacting with and learning from over one hundred design and planning professionals. Also, a number of high-ranking Federal officials spoke about the importance of designing livable communities.

***NEA Jazz Masters***

The National Endowment for the Arts celebrates jazz as America's truly indigenous musical art form through its *NEA Jazz Masters* initiative. Since its inception in 1982, 124 awards have been made to honor musicians and advocates who have dedicated their lives to the music. The program expanded in 2005 to raise awareness of America's rich jazz heritage and encourage its nurturing and future growth through added nationwide educational and performance components, targeting audiences of all ages and backgrounds. The initiative further expanded in 2008, with the addition of the *NEA Jazz Masters Live* component, through which more than 42 individual *NEA Jazz Masters* have been presented in some 29 venues throughout the United States, reaching nearly 140,000 people with performances, master classes, clinics, lectures, and short term residencies.

***NEA National Heritage Fellowships***

The *NEA National Heritage Fellowships* were established to recognize lifetime achievement, artistic excellence, and contributions to our Nation's folk and traditional arts heritage. The Arts Endowment annually awards these one-time-only Fellowships to master folk and traditional artists. FY 2011 marked the 30<sup>th</sup> anniversary of this initiative; since its beginning in 1982, nearly 370 Fellowships have been awarded to traditional artists residing in 49 States (all except Delaware), the District of Columbia, Guam, the U.S. Virgin Islands, Puerto Rico, and the Northern Mariana Islands.

***Poetry Out Loud: National Recitation Contest***

By encouraging high school students to memorize and perform great poems, *Poetry Out Loud* helps students master public speaking skills, build self-confidence, and learn about their literary heritage. Created by the NEA and the Poetry Foundation, *Poetry Out Loud: National Recitation Contest* is administered in partnership with State arts agencies in all 50 States, as well as the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

*Poetry Out Loud*, begun as a pilot in 2005, saw 365,000 students from more than 2,200 schools participate during the 2010-2011 school year, its sixth. Using curriculum and an

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anthology developed as part of *Poetry Out Loud*, teachers introduce students to poetry and recitation before holding a classroom poetry recitation competition. Following a pyramid structure, classroom champions move on to school competitions, regional and State competitions, and ultimately to the National Finals, which are held each spring in Washington, DC. The Arts Endowment's partner, the Poetry Foundation, produces substantive educational materials for teachers participating in *Poetry Out Loud* and provides additional financial support for the National Finals, with a total contribution of approximately \$500,000.

**Shakespeare for a New Generation**

*Shakespeare for a New Generation* represents the current phase of the *Shakespeare in American Communities* initiative, launched in September 2003. By the end of the 2011 school year, more than 80 of the Nation's theater companies had taken part in the program, which has:

- Provided almost 6,500 performances of professional Shakespeare productions to 2,600 communities in all 50 States and the District of Columbia.
- Entertained more than 1,850,000 community audience members (including students as mentioned below).
- Provided free performances and educational activities for approximately 1,500,000 students in 5,500 middle and high schools.
- Reached more than 26 million students through the free distribution of nearly 85,000 Shakespeare multi-media toolkits used by teachers in more than 31,000 middle and high schools, of which nearly 40% are in rural communities.

During the 2010-11 school year, 40 non-profit, professional theater companies toured the program around the country. Six of the companies received additional funding through a partnership with the Coordinating Council on Juvenile Justice and Delinquency Prevention, which organizes Federal programs for at-risk youth among multiple Federal agencies. Funds for these grants were provided through the Office of Juvenile Justice and Delinquency Prevention (OJJDP), U.S. Department of Justice, and supported performances and educational activities targeted to youth involved with the juvenile justice system.

## **Research and Analysis**

The NEA's Office of Research & Analysis (ORA) aims to provide statistically reliable information that allows arts administrators, policy-makers, educators, civic leaders, artists, journalists, and the general public to participate in an evidence-based dialogue about the role and vitality of arts and culture in the United States.

### *NEA Strategic Plan Development*

In partnership with the NEA's Office of the Deputy Chairman for Management & Budget, ORA completed a new Strategic Plan for the Agency. Covering FY 2012-2016, the final document was posted on the NEA's website in early FY 2011. The plan represents a substantive effort to introduce outcomes data-based decision-making into the NEA's program activities, and establishes for the first time a goal and outcome for NEA research. It outlines several key performance measures, some of which will require special studies and surveys, including:

- *Independent, Post-Award Reviews.* The Agency will institute post-award, independent, citizen-expert reviews of selected NEA grants to determine the degree to which objectives were achieved. Grants awarded for the creation of art will be evaluated to determine the degree to which NEA-supported projects demonstrated excellence and innovation. Grants awarded for projects that provide public engagement with the arts will also be assessed to determine the degree to which innovative methods were employed in the delivery of art to audiences.
- *Grantee Audience Surveys.* For a random subset of grants that involve the presentation of art performances or exhibits, the NEA will ask grantees to conduct surveys of their audience members to gauge the nature and extent of audience response to these art experiences. In addition, the surveys will ask about audience members' prior exposure to similar events and activities.

The survey results will give the Agency a snapshot of attitudinal and/or motivational changes that occurred as a result of NEA grants supporting the engagement of Americans with diverse and excellent art. As a service to grantees, the NEA will use the survey data not only to inform its own performance assessment; it also will provide grantees with analyses of results from their individual surveys.

- *Annual Benchmarking Surveys.* To supplement data from its periodic Survey of Public Participation in the Arts (SPPA), the NEA will sponsor an annual household survey to better understand the range and extent of American participation in the arts – through attendance, personal creation of artwork, and arts engagement through electronic media and learning opportunities. In November 2010, the NEA convened researchers and arts practitioners to discuss

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how to make the SPPA more useful and relevant. The 2012 survey, with overhauled questions and double the sample size of previous years (from 18,000 to 36,000), completed successful pilot testing in FY 2011. The data from the survey will inform the Agency's decisions about how best to serve one of its strategic goals: "To Engage the Public in Diverse and Excellent Art."

In general, the NEA Strategic Plan elevates the research and evaluation functions throughout the Agency, in service of a new strategic goal: "To Promote Public Knowledge and Understanding about the Contributions of the Arts."

*NEA Research Publications*

In FY 2011, the Office of Research & Analysis issued the following publications, based on original analyses that the office conducted or commissioned:

- **Research Report #54 - Beyond Attendance: A Multi-Modal Understanding of Arts Participation.** Report authors Jennifer Novak-Leonard and Alan Brown of WolfBrown explore patterns of arts engagement across three modes: arts creation or performance; arts engagement through media; and attendance at arts activities. The report highlights the overlap in participation across modes, and examines factors that drive participation within and between modes. February 2011. [www.nea.gov/research/2008-SPPA-BeyondAttendance.pdf](http://www.nea.gov/research/2008-SPPA-BeyondAttendance.pdf)
- **Research Report #53 - Age and Arts Participation: A Case against Demographic Destiny.** Mark Stern, University of Pennsylvania, analyzes the relationship between age and arts participation in the Survey of Public Participation in the Arts (SPPA) data for 1982, 1992, 2002, and 2008. The report concludes that age and year of birth are poor predictors of arts participation and that the age distribution of art-goers now generally mirrors that of the U.S. adult population. February 2011. [www.nea.gov/research/2008-SPPA-Age.pdf](http://www.nea.gov/research/2008-SPPA-Age.pdf)
- **Research Report #52 - Arts Education in America: What the Declines Mean for Arts Participation.** This report, commissioned from NORC at the University of Chicago, investigates the relationship between arts education and arts participation, based on data from the SPPA for 1982, 1992, 2002, and 2008. The report also examines long-term declines in Americans' reported rates of arts learning – in creative writing, music, and the visual arts, among other disciplines. Authors Nick Rabkin and E.C. Hedberg find that the declines are not distributed evenly across all racial and ethnic groups. February 2011. [www.nea.gov/research/2008-SPPA-ArtsLearning.pdf](http://www.nea.gov/research/2008-SPPA-ArtsLearning.pdf)
- **Research Note #104 - Arts and the GDP: Value Added by Selected Cultural Industries.** This Note uses data from the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) to examine the value added by the following industries: performing arts; sports; museums; motion pictures and sound recording; and publishing. July 2011. [www.nea.gov/research/Notes/104.pdf](http://www.nea.gov/research/Notes/104.pdf)



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- Research Note #103 - *Artist Employment Projections through 2018*. Drawing from the Bureau of Labor Statistics' *Occupational Outlook Handbook: 2010-11 Edition*, this Note discusses job prospects for artists and other selected cultural occupations from 2008 to 2018. June 2011. [www.nea.gov/research/Notes/103.pdf](http://www.nea.gov/research/Notes/103.pdf)
- Research Note #102 - *Time and Money: Using Federal Data to Measure the Value of Performing Arts Activities*. This Note examines large datasets from multiple Federal sources to report on three broad topics: 1) the total number, staff, and budget size of performing arts organizations; 2) U.S. consumer spending on performing arts admissions and other cultural events; and 3) American daily time spent doing arts and cultural activities, including performing arts attendance. Measures of arts and cultural value that extend beyond mining federal databases are also reviewed. April 2011. [www.nea.gov/research/Notes/102.pdf](http://www.nea.gov/research/Notes/102.pdf)
- Research Note #101 - *Three NEA Monographs on Arts Participation*. This Note summarizes and reflects upon key findings from NEA Research Reports #52, #53, and #54 (*see above*). February 2011. [www.nea.gov/research/Notes/101.pdf](http://www.nea.gov/research/Notes/101.pdf)

*NEA Research Convenings and Webinars in FY 2011*

- **Future of the City: The Arts Symposium.** Co-sponsored with the University of Chicago, its purpose was to chart the community-building role that the arts can play in Chicago and beyond. June 2011. [www.nea.gov/research/convenings.html](http://www.nea.gov/research/convenings.html)
- **Time and Money: Using Federal Data to Measure the Value of Performing Arts Activities.** "Time and Money" looked at the value of the arts in three ways: time spent on arts activities; organizational revenue and expenses; and direct consumer spending. A particular focus on performing arts data provided consistency across these three measurements. May 2011. [www.nea.gov/research/Time-Money-Webinar/index.html](http://www.nea.gov/research/Time-Money-Webinar/index.html)
- **Preview of Three NEA Research Reports.** NEA's Director of Research and Analysis and the authors of three independent reports analyzing the data from the 2008 Survey of Public Participation in the Arts (SPPA), presented their findings and answered questions in a public webinar. The reports explore how factors such as arts education, age and generational characteristics, and personal creativity have affected arts participation patterns in the U.S. February 2011. [www.nea.gov/research/SPPA-webinar/index.html](http://www.nea.gov/research/SPPA-webinar/index.html)

*Other NEA Research Projects*

During FY 2011, NEA's Office of Research & Analysis began or continued work on a number of other significant projects, among them:

- **National Arts Logic Model** – ORA began development of a national logic model to describe the inputs, outputs, outcomes, and impacts of the arts in the U.S., complete with a map of critical players, roles, and relationships. The logic model

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will be a valuable tool for communicating a working hypothesis of the arts' impacts on the American public. Equally important, it will guide development of statistical measures, which, if conducted regularly, will yield reliable data on the arts' capacity to transform other domains of American life.

- **Arts and Community Indicators Study** – ORA is piloting a series of indicators for taking periodic measurements of how creative place-making activities contribute to the livability of *Our Town* communities. Although not explicitly linked to the National Arts Logic Model, the indicators will rely heavily on aggregable data from national datasets. By identifying appropriate indicators that can track the impact of the arts on community livability, we will augment the statistical measurement tools that can be used in support of the National Arts Logic Model (see above).
- **The Arts and Achievement in At-Risk Youth** – ORA is preparing for publication an analysis of data from four longitudinal databases to track the academic and social outcomes of at-risk children, teenagers, and young adults who had intensive arts experiences, compared with students who did not.
- **Panel Study of Income Dynamics** – ORA has begun analysis of data from a National Science Foundation-supported longitudinal survey that tracks a variety of behaviors – including arts learning, arts participation, arts philanthropy, and arts volunteering – in relation to the well-being of children, adults, and families.
- **General Social Survey Supplement** – ORA has developed a questionnaire asking adults about motivations and barriers involved in attending live arts performances and/or exhibits. In partnership with the National Science Foundation, the questionnaire will be included as a supplement to the 2012 General Social Survey, conducted by NORC at the University of Chicago.
- **Arts Research Grants Opportunity** – ORA is soliciting original proposals from investigators seeking to mine high-quality datasets for evidence of the value and impact of the U.S. arts sector; grantees are required to produce reports of their findings, to be shared with the public. Grantees that receive NEA funding for this research in FY 2012 will be required to make results available to the public, likely via the NEA website.

*Strategic Partnerships*

In addition to the activities that NEA's research office undertakes directly and with contractor assistance, in recent years the ORA has established a number of strategic partnerships expected to yield benefits for years to come:

- **Interagency Task Force on the Arts and Human Development:** Collaborating with the U.S. Department of Health & Human Services (Administration for Children & Families, the Administration on Aging, and the National Institutes of Health) and the Department of Education to build national research capacity and

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evidence-sharing with researchers, practitioners, and the general public. This initiative stemmed from a March 2011 convening held by ORA and featuring HHS Secretary Kathleen Sebelius and other high-ranking HHS officials.

- **Cultural Data Repositories:** Supporting public access to a broad array of arts/cultural datasets and research tools, through Princeton University’s Cultural Policy and the Arts National Data Archive (CPANDA). Through a separate agreement, co-developing a grantee data portal with the National Assembly of State Arts Agencies which should improve the ability of the NEA, State Arts Agencies, Regional Arts Organizations, and the public to track performance data resulting from the NEA’s Partnership Agreements with the States and Regions.
- **Federal Statistical Agencies:** Contributing toward “core” sponsorship of the National Academies’ Committee on National Statistics (CNSTAT), to foster a dialogue with roughly 20 Federal statistical agencies about potential partnerships and data-sharing agreements that can benefit arts and cultural researchers, practitioners, and policy-makers.
- **Cultural Policy Research Network:** Developing processes, research questions, and potential members for a national network that will identify research topics and potential studies that may prove critical to the future of cultural policy in the U.S. This goal is supported by an award to NORC at the University of Chicago.

*Other Accomplishments*

- To facilitate access by the public and researchers to the NEA’s growing repository of research publications, webinars, and other resources, ORA worked with the Agency’s Public Affairs office to revamp the Agency website’s research portal.
- ORA developed protocols and guideline documents for Research and Evaluation functions such as producing research publications; contract oversight; obtaining OMB clearance; fulfilling internal data requests; and event planning.
- Conducted a top-to-bottom evaluation of the NEA’s Arts Education unit, as well as an evaluation of the NEA’s Education Leadership Institute program. Results from both the evaluations are being used by senior management to shape outcomes for the programs in FY 2012—and the reports will inform the recruitment and mission of the NEA’s new Arts Education director.
- Launched a monthly Research feature as part of the Art Works blog on the NEA website. Topics for this feature (called “Taking Note”) have included: intrinsic-versus-instrumental benefits of the arts; supply and demand; arts and the GDP; arts and time-use; Knight/Gallup’s “Soul of the Community” study; CEO for Cities’ “Young and Restless” study; and others.

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## **Performance Reports**

As required by the Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010, as well as subsequent guidance from OMB on the preparation of performance budgets and reports, the Arts Endowment is submitting performance data for Fiscal Years 2006 through 2011. The data relate to performance goals and indicators contained in applicable Performance Plans for the same period. The tables that follow this narrative compare actual performance as of September 30, 2011 with prior estimates. It is important to consider the following as one examines the tables.

**First, we have determined that approximately 24 months must pass after the close of a fiscal year before sufficient information is received to fully assess the accomplishments of that year.** The table below shows the trend of final report submissions (excluding grants awarded through the American Recovery and Reinvestment Act of 2009) over the most recent six-year period.

Fiscal Year	# of Months Since Close of Year	# of Months Above or Below 24 Month Benchmark	% of Final Reports Received as of September 30, 2011
2006	60	36	99.1
2007	48	24	98.4
2008	36	12	97.7
2009	24	0	93.7
2010	12	-12	72.8
2011	0	-24	13.0

**Second, we rely upon information provided by our applicants and grantees when making projections.** Performance projections rely upon information provided by our grantees – reflected in application forms, revised project/budget forms, and final reports. By the time we consider the Performance Report for a given fiscal year to be “final,” all the performance data come from grantee final reports.

**Third, eligible applicants to the Arts Endowment have full discretion in choosing the funding area from which to seek support, and in determining the nature of their projects.** From year to year, applicant interests may change from one area to another or from one type of project to another, thus adding to the challenge of making reliable estimates.

Beginning on page 42 is a set of tables with the most current performance data for Fiscal Years 2006 through 2011.

**National Endowment for the Arts  
FY 2006 PERFORMANCE REPORT  
November 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2006 Final Projections with FY 2006 PAR (Performance as of 9-29-06; 9% of Final Reports Received)</u>			<u>FY 2006 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 99% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		2,020	\$ 50,157		2,020	\$ 50,157		0	\$ -	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,000-1,250			1,144			on target		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	150,000-200,000			213,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	30-35 m			25 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	175-225			216			on target		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	200-225			208			on target		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals.</i>	225-275			247			on target		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		211	\$ 10,563		211	\$ 10,563		0	\$ -	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	200-225			209			on target		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.25-.5 m			.4 m			on target		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	0			0			on target		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	1			2			above		

**National Endowment for the Arts  
FY 2006 PERFORMANCE REPORT  
November 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2006 Final Projections with FY 2006 PAR (Performance as of 9-29-06; 9% of Final Reports Received)</u>			<u>FY 2006 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 99% of Final Reports Received)</u>			<u>Difference</u>		
		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
Dollars rounded to the nearest thousand.										
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
State Partnerships										
State & Regional			\$ 23,357			\$ 23,357			\$ -	
Underserved Set-Aside			\$ 6,282			\$ 6,282			\$ -	
Challenge America			\$ 7,063			\$ 7,063			\$ -	
National Initiatives			\$ 4,730			\$ 4,730			\$ -	
Subtotal State Partnerships			\$ 41,432			\$ 41,432			\$ -	
Other Public & Private Partnerships			\$ 280			\$ 280			\$ -	
Total Partnerships for the Arts		84	\$ 41,712		84	\$ 41,712		0	\$ -	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.	1,900-2,250			1,700			below		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.	5-15			10			on target		
GRAND TOTAL GRANTMAKING FUNDS (Obligations, excluding Interagency and Gift funds.)		2,315	\$ 102,432		2,315	\$ 102,432		0	\$ -	
Cross-Cutting Indicators	The amount of matching funds reported by Arts Endowment grantees.	575-650 m			486 m			below		
	The number of distinct communities directly benefiting from Arts Endowment-funded projects.	3,750-4,000			3,700			below		

**National Endowment for the Arts  
FY 2007 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2007 Final Projections with FY 2007 PAR (Performance as of 9-30-07; 14% of Final Reports Received)</u>			<u>FY 2007 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 98% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		1,902	\$ 49,659		1,902	\$ 49,659		0	\$ -	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,000-1,250			1,035			on target		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	75,000-100,000			214,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	30-35 m			23 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	175-225			205			on target		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	150-200			203			above		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals.</i>	225-275			271			on target		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		208	\$ 10,251		208	\$ 10,251		0	\$ -	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	200-225			203			on target		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.25-.5 m			.6 m			above		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	3			1			below		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	6			3			below		



**National Endowment for the Arts  
FY 2007 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2007 Final Projections with FY 2007 PAR (Performance as of 9-30-07; 14% of Final Reports Received)</u>			<u>FY 2007 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 98% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
<i>State Partnerships</i>										
State & Regional			\$ 23,162			\$ 23,162			\$ -	
Underserved Set-Aside			\$ 6,227			\$ 6,227			\$ -	
Challenge America			\$ 6,998			\$ 6,998			\$ -	
National Initiatives			\$ 3,941			\$ 3,941			\$ -	
Subtotal State Partnerships			\$ 40,328			\$ 40,328			\$ -	
<i>Other Public &amp; Private Partnerships</i>			\$ 474			\$ 474			\$ -	
Total Partnerships for the Arts		83	\$ 40,802		83	\$ 40,802		0	\$ -	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	<i>The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.</i>	1,800-2,000			1,700			below		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	<i>The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.</i>	10-15			15			on target		
GRAND TOTAL GRANTMAKING FUNDS (Obligations, excluding Interagency and Gift funds.)		2,193	\$ 100,712		2,193	\$ 100,712		0	\$ -	
Cross-Cutting Indicators	<i>The amount of matching funds reported by Arts Endowment grantees.</i>	500-550 m			518 m			on target		
	<i>The number of distinct communities directly benefiting from Arts Endowment-funded projects.</i>	3,750-4,000			2,950			below		

**National Endowment for the Arts  
FY 2008 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2008 Final Projections with FY 2008 PAR (Performance as of 9-30-08; 14% of Final Reports Received)</u>			<u>FY 2008 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 98% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		1,941	\$ 60,840		1,941	\$ 60,840		0	\$ -	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,050-1,300			1,082			on target		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	75,000-100,000			262,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	40-50 m			31.3 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	200-250			211			on target		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	160-200			184			on target		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals.</i>	225-275			267			on target		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		222	\$ 12,808		222	\$ 12,808		0	\$ -	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	225-250			201			below		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.5-1.5 m			.7 m			on target		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	5-10			19			above		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	2-5			5			on target		

**National Endowment for the Arts  
FY 2008 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2008 Final Projections with FY 2008 PAR (Performance as of 9-30-08; 14% of Final Reports Received)</u>			<u>FY 2008 Current Performance with FY 2011 PAR (Performance as of 9-30-11; 98% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
State Partnerships										
State & Regional			\$ 39,415			\$ 39,415			\$ -	
Underserved Set-Aside			\$ 8,481			\$ 8,481			\$ -	
Subtotal State Partnerships			\$ 47,896			\$ 47,896			\$ -	
Other Public & Private Partnerships			\$ 222			\$ 222			\$ -	
Total Partnerships for the Arts		82	\$ 48,118		82	\$ 48,118			\$ -	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.	2,000-2,250			2,084			on target		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.	5-10			12			above		
GRAND TOTAL GRANTMAKING FUNDS (Obligations, excluding Interagency and Gift funds.)		2,245	\$ 121,766		2,245	\$ 121,766		0	\$ -	
Cross-Cutting Indicators	The amount of matching funds reported by Arts Endowment grantees.	600-650 m			592 m			below		
	The number of distinct communities directly benefiting from Arts Endowment-funded projects.	4,000-4,500			3,400			below		

**National Endowment for the Arts**  
**FY 2009 PERFORMANCE REPORT (Excluding Recovery Act Grants)**  
**September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2009 Final Projections with FY 2009 PAR (Performance as of 9-30-09; 13% of Final Reports Received)</u>			<u>FY 2009 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 94% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		2,106	\$ 59,693		2,106	\$ 59,693		0	\$ -	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,050-1,300			1,119			below		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	75,000-100,000			151,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	40-50 m			25 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	200-250			219			on target		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	160-200			221			above		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals..</i>	350-450			322			below		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		218	\$ 12,918		218	\$ 12,918		0	\$ -	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	225-250			185			below		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.5-1.5 m			.3 m			below		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	5-10			26			above		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	2-5			3			on target		

**National Endowment for the Arts**  
**FY 2009 PERFORMANCE REPORT (Excluding Recovery Act Grants)**  
**September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2009 Final Projections with FY 2009 PAR (Performance as of 9-30-09; 13% of Final Reports Received)</u>			<u>FY 2009 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 94% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
State Partnerships										
State & Regional			\$ 41,622			\$ 41,622			\$ -	
Underserved Set-Aside			\$ 8,894			\$ 8,894			\$ -	
Subtotal State Partnerships			\$ 50,516			\$ 50,516			\$ -	
Other Public & Private Partnerships			\$ 257			\$ 257			\$ -	
Total Partnerships for the Arts		80	\$ 50,773		80	\$ 50,773		0	\$ -	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.	2,000-2,500			1,890			below		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.	5-10			12			above		
GRAND TOTAL GRANTMAKING FUNDS		2,404	\$ 123,384		2,404	\$ 123,384		0	\$ -	
Cross-Cutting Indicators	The amount of matching funds reported by Arts Endowment grantees.	625-675 m			604 m			below		
	The number of distinct communities directly benefiting from Arts Endowment-funded projects.	4,000-4,500			4,100			on target		

**National Endowment for the Arts  
FY 2010 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2010 Final Projections with FY 2010 PAR (Performance as of 9-30-10; 10% of Final Reports Received)</u>			<u>FY 2010 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 73% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		2,326	\$ 68,731		2,326	\$ 68,731		0	\$ -	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,150-1,250			1,200			on target		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	100,000-150,000			267,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	40-45 m			36 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	200-250			256			above		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	190-200			236			above		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals..</i>	300-350			333			on target		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		363	\$ 14,413		363	\$ 14,413		0	\$ -	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	185-215			305			above		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.3-.6 m			.6 m			on target		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	15-25			49			above		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	2-5			4			on target		

**National Endowment for the Arts  
FY 2010 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2010 Final Projections with FY 2010 PAR (Performance as of 9-30-10; 10% of Final Reports Received)</u>			<u>FY 2010 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 73% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
State Partnerships										
State & Regional			\$ 42,913			\$ 42,913			\$ -	
Underserved Set-Aside			\$ 12,442			\$ 12,442			\$ -	
Subtotal State Partnerships			\$ 55,355			\$ 55,355			\$ -	
Other Public & Private Partnerships			\$ -			\$ -			\$ -	
Total Partnerships for the Arts		65	\$ 55,355		65	\$ 55,355		0	\$ -	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.	2,000-2,500			2,100			on target		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.	10-15			15			on target		
GRAND TOTAL GRANTMAKING FUNDS		2,754	\$ 138,499		2,754	\$ 138,499		0	\$ -	
Cross-Cutting Indicators	The amount of matching funds reported by Arts Endowment grantees.	600-650 m			659 m			above		
	The number of distinct communities directly benefiting from Arts Endowment-funded projects.	3,600-4,000			2,600			below		

**National Endowment for the Arts  
FY 2011 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2011 Projections with FY 2012 Performance Plan (as of August 27, 2010)</u>			<u>FY 2011 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 13% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
1. ACCESS TO ARTISTIC EXCELLENCE: Foster and preserve excellence in the arts and provide access to the arts for all Americans.		2,000-2,150	\$ 65,913		2,035	\$ 68,915			\$ 3,002	
a. Artists & arts organizations have opportunities to create, interpret, present, & perform artistic work.	<i>The number of projects whose primary purpose is to create or present art.</i>	1,050-1,150			1,047			below		
	<i>The number of artists participating in projects whose primary purpose is to create art.</i>	95,000-105,000			163,000			above		
b. Audiences throughout the Nation have opportunities to experience a wide range of art forms & activities.	<i>The number of individuals directly benefiting from projects whose primary purpose is to make the arts widely available to the public (excluding broadcast audiences).</i>	40-45 m			27 m			below		
c. The arts contribute to the strengthening of communities.	<i>The number of projects whose primary purpose is to strengthen communities through access to the arts.</i>	200-250			213			on target		
d. Artistic works & cultural traditions are preserved.	<i>The number of projects whose primary purpose is the preservation of artistic works &amp; cultural traditions.</i>	190-200			204			above		
e. Organizations enhance their ability to achieve their artistic & public service goals.	<i>The number of projects whose primary purpose is to assist organizations to enhance their abilities to achieve their artistic &amp; public service goals..</i>	300-350			299			on target		
2. LEARNING IN THE ARTS: Advance arts education for children and youth.		200-250	\$ 13,035		368	\$ 13,495			\$ 460	
a. Children & youth demonstrate skills, knowledge, and/or understanding of the arts, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to impart to children &amp; youth newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	180-210			332			above		
	<i>The number of children &amp; youth directly participating in projects whose primary purpose is to impart newly acquired skills, knowledge, and/or understanding of at least one art form.</i>	.3-.6 m			.9 m			above		
b. Teachers, artists, & others demonstrate knowledge & skills necessary to engage children & youth in arts learning, consistent with national, state, or local arts education standards.	<i>The number of projects whose primary purpose is to provide professional development opportunities for teachers, artists, &amp; other arts instruction providers.</i>	15-25			32			above		
c. National, State, and local entities demonstrate a commitment to arts learning for children & youth, consistent with national, state, or local arts education standards.	<i>The number of national initiatives in which the Arts Endowment directly participates that recognize and support the arts as essential to the development of children &amp; youth.</i>	1-3			3			on target		



**National Endowment for the Arts  
FY 2011 PERFORMANCE REPORT  
September 2011**

<u>GENERAL GOALS AND PERFORMANCE GOALS (OUTCOMES)</u>	<u>SELECTED PERFORMANCE MEASURES (INDICATORS)</u>	<u>FY 2011 Projections with FY 2012 Performance Plan (as of August 27, 2010)</u>			<u>FY 2011 Final Projections with FY 2011 PAR (Performance as of 9-30-11; 13% of Final Reports Received)</u>			<u>Difference</u>		
Dollars rounded to the nearest thousand.		<u># of Awards</u>	<u>\$</u>	<u>Target Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Current Levels</u>	<u># of Awards</u>	<u>\$</u>	<u>Extent of Activity</u>
3. PARTNERSHIPS FOR THE ARTS: Develop and maintain partnerships that advance the mission of the National Endowment for the Arts.										
State Partnerships										
State & Regional			\$ 41,421			\$ 38,950			\$ (2,471)	
Underserved Set-Aside			\$ 11,211			\$ 10,568			\$ (643)	
Subtotal State Partnerships			\$ 52,632			\$ 49,518			\$ (3,114)	
Other Public & Private Partnerships			\$ -						\$ -	
Total Partnerships for the Arts		79	\$ 52,632		64	\$ 49,518		(15)	\$ (3,114)	
a. State arts agencies & regional arts organizations enable the Arts Endowment to make the arts available in more communities than it could directly.	The number of communities reached through grants made solely with NEA funds by State arts agencies and regional arts organizations utilizing partnership agreements with the Arts Endowment.	2,000-2,500			2,200			on target		
b. Other public & private sector organizations support arts activities that advance the mission of the Arts Endowment.	The number of other government agencies participating in interagency arrangements with the Arts Endowment that support the Arts Endowment's mission.	10-15			15			on target		
GRAND TOTAL GRANTMAKING FUNDS		2,279-2,479	\$ 131,580		2,467	\$ 131,928			\$ 348	
Cross-Cutting Indicators	The amount of matching funds reported by Arts Endowment grantees.	600-650 m			605 m			on target		
	The number of distinct communities directly benefiting from Arts Endowment-funded projects.	3,500-4,000			2,500-3,500			below		

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## ***Fiscal Year 2011 Performance and Accountability Report ~ A Message from the Director of Finance ~***

I am pleased to join with Chairman Landesman in presenting the National Endowment for the Arts' *Fiscal Year 2011 Performance and Accountability Report*. This report summarizes the Arts Endowment's performance and accomplishments – programmatically, financially, and operationally – during the past year.

Fiscal Year 2011 saw no significant changes or issues in the Agency's financial systems and operations. Through a cross-servicing agreement with the U.S. Department of Transportation, the NEA uses a Federal financial system (Oracle-based Delphi) that is fully compliant with the requirements of the Office of Management and Budget's Office of Federal Financial Management. All FY 2011 transactions were recorded in the system. We continue to improve our facility with the Delphi system, crosswalks to the financial statements, and transactional flows. During FY 2011, additional time has been expended to develop requirements, research options, and verify data readiness for creating an electronic payment system for our grantees. The preferred option of partnering with our current provider was chosen for its economical solution and relative ease of implementation. The initial work of adapting our vendor record management is beneficial for any subsequent actions and would be required whether we stayed with their solution or not.

Our financial statements independent audit has been successfully completed, resulting for the ninth consecutive year in an unqualified opinion. The audit revealed no material weaknesses or deficiencies.

During Fiscal Year 2012, we will continue to enhance reporting systems, improve succession planning, ensure adherence to all applicable guidance, and optimize efficiencies from improved use of technology. In addition, we will continue to work on an electronic payment system and to develop a new Cloud-based grants management system jointly with the National Endowment for the Humanities, which will include integrating those systems with our finance system where relevant. We are confident that our finance system supports the Agency's ongoing commitment to ensuring that we are fully accountable for the funds that have been entrusted to us for the benefit of the American people.

A handwritten signature in blue ink that reads "Sandra L. Stueckler".

Sandra L. Stueckler  
Director of Finance

November 15, 2011

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***Financial Statements  
and Related Auditor's Report  
Fiscal Year 2011***

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**National Endowment for the Arts**  
**Audit of Financial Statements**

**As of and for the Years Ended**  
**September 30, 2011 and 2010**

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**Submitted By**

**Leon Snead & Company, P.C.**  
*Certified Public Accountants & Management Consultants*

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Certified Public Accountants  
& Management Consultants

Inspector General, National Endowment for the Arts  
Chairman, National Endowment for the Arts

**Independent Auditor's Report**

We have audited the balance sheets of the National Endowment for the Arts (the Arts Endowment) as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the Arts Endowment's internal control over financial reporting and tested the Arts Endowment's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

**SUMMARY**

As stated in our opinion on the financial statements, we found that the Arts Endowment's financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

The following sections discuss in more detail our opinion on the Arts Endowment's financial statements, our consideration of the Arts Endowment's internal control over financial reporting, our tests of the Arts Endowment's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

## **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying balance sheets of the Arts Endowment as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the Arts Endowment as of and for the years ended September 30, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of the Arts Endowment management regarding the methods of measurement and presentation of the supplementary information and analysis of the information for consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the Arts Endowment as of and for the years ended September 30, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Arts Endowment's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arts Endowment's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Endowment's internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less

severe than a material weakness, yet important enough to merit attention by those charged with governance of the Arts Endowment.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04 (as amended).

## **RESPONSIBILITIES**

### Management Responsibilities

Management of the Arts Endowment is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

### Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements* (as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the Arts Endowment's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As required by OMB Bulletin 07-04 (as amended), with respect to internal control related to performance measures determined to be key and reported in Management's Discussion and Analysis, we made inquiries of management concerning the methods of preparing the information, including whether it was measured and presented within prescribed guidelines; changes in the methods of measurement or presentation from those used in the prior period(s) and the reasons for any such changes; and significant assumptions or interpretations underlying the measurement or presentation. We also evaluated the consistency of Management's Discussion and Analysis with management's responses to the foregoing inquiries, audited financial statements, and other audit evidence obtained during the examination of the financial statements. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04 (as amended). We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Arts Endowment. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

#### **AGENCY COMMENTS AND AUDITOR EVALUATION**

In commenting on the draft of this report, the management of the Arts Endowment concurred with the facts and conclusions in our report. A copy of management's response accompanies this report.

## **DISTRIBUTION**

This report is intended solely for the information and use of the management, the Office of Inspector General, and others within the Arts Endowment, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Leon Snead & Company, P.C.*  
Leon Snead & Company, P.C.  
November 8, 2011

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**National Endowment for the Arts**  
**BALANCE SHEET**  
**As of September 30, 2011 and 2010**  
(In Dollars)

	September 30, 2011			September 30, 2010		
<b>ASSETS:</b>	All Other	Earmarked Funds	Cumulative	All Other	Earmarked Funds	Cumulative
Intragovernmental:						
Fund Balance With Treasury (Note 2)	\$ 155,168,055	\$ 1,535,232	\$ 156,703,287	\$ 173,065,458	\$ 1,993,429	\$ 175,058,887
Fund Balance With Treasury Under a						
Investments (Note 3)	-	842,086	842,086	-	840,666	840,666
Accounts Receivable (Note 4)	525	-	525	62	-	62
Other Assets (Note 6)	762,993	-	762,993	827,310	-	827,310
Total Intragovernmental	<u>\$ 155,931,573</u>	<u>\$ 2,377,318</u>	<u>\$ 158,308,891</u>	<u>\$ 173,892,830</u>	<u>\$ 2,834,095</u>	<u>\$ 176,726,925</u>
With the Public:						
Accounts Receivable, Net (Note 4)	36,250	-	36,250	40,000	-	40,000
Other Assets (Note 6)	-	-	-	879,986	-	879,986
 TOTAL ASSETS	 <u>\$ 155,967,823</u>	 <u>\$ 2,377,318</u>	 <u>\$ 158,345,141</u>	 <u>\$ 174,812,816</u>	 <u>\$ 2,834,095</u>	 <u>\$ 177,646,911</u>
<b>LIABILITIES (Notes 7,8):</b>						
Intragovernmental:						
Accounts Payable (Notes 7,8)	\$ 1,370,856	\$ -	\$ 1,370,856	\$ 1,927,529	\$ -	\$ 1,927,529
Total Intragovernmental	<u>\$ 1,370,856</u>	<u>\$ -</u>	<u>\$ 1,370,856</u>	<u>\$ 1,927,529</u>	<u>\$ -</u>	<u>\$ 1,927,529</u>
With the Public:						
Accrued Liabilities (Notes 7,8)	45,029,996	5,762	45,035,758	54,740,278	192,978	54,933,256
Other (Notes 7,8)	2,707,587	1,160	2,708,747	3,748,716	-	3,748,716
 TOTAL LIABILITIES	 <u>\$ 49,108,439</u>	 <u>\$ 6,922</u>	 <u>\$ 49,115,361</u>	 <u>\$ 60,416,523</u>	 <u>\$ 192,978</u>	 <u>\$ 60,609,501</u>
Commitments and Contingencies (Note 10)						
<b>NET POSITION:</b>						
Unexpended Appropriations	\$ 110,005,052	\$ -	\$ 110,005,052	\$ 117,536,652	\$ -	\$ 117,536,652
Cumulative Results of Operations	(3,145,668)	2,370,396	(775,272)	(3,140,359)	2,641,117	(499,242)
 TOTAL NET POSITION	 <u>\$ 106,859,384</u>	 <u>\$ 2,370,396</u>	 <u>\$ 109,229,780</u>	 <u>\$ 114,396,293</u>	 <u>\$ 2,641,117</u>	 <u>\$ 117,037,410</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 155,967,823</u>	 <u>\$ 2,377,318</u>	 <u>\$ 158,345,141</u>	 <u>\$ 174,812,816</u>	 <u>\$ 2,834,095</u>	 <u>\$ 177,646,911</u>

The accompanying notes are an integral part of these statements

**National Endowment for the Arts**  
**STATEMENT OF NET COST**  
**For Years Ended September 30, 2011 and September 30, 2010**  
(In Dollars)

	<u>2011</u>	<u>2010</u>
<b>Program Costs (Note 12):</b>		
<b>Access to Artistic Excellence:</b>		
Gross Costs	\$ 92,410,965	\$ 111,806,892
Less: Earned Revenue	(2,132,762)	(1,291,709)
Net Access to Artistic Excellence Costs	<u>\$ 90,278,203</u>	<u>\$ 110,515,183</u>
<b>Learning in the Arts:</b>		
Gross Costs	\$ 20,239,275	\$ 18,380,391
Less: Earned Revenue	(120,469)	(423,064)
Net Learning in the Arts Costs	<u>\$ 20,118,806</u>	<u>\$ 17,957,327</u>
<b>Partnerships for the Arts:</b>		
Gross Costs	\$ 54,297,547	\$ 58,067,257
Less: Earned Revenue	(1,346)	(338,208)
Net Partnerships for the Arts Costs	<u>\$ 54,296,201</u>	<u>\$ 57,729,049</u>
<b>Total Program Costs</b>	\$ 164,693,210	\$ 186,201,559
 <b>Net Cost of Operations</b>	 <u><u>\$ 164,693,210</u></u>	 <u><u>\$ 186,201,559</u></u>

The accompanying notes are an integral part of these statements.



**National Endowment for the Arts**  
**STATEMENT OF CHANGES IN NET POSITION**  
**As of September 30, 2011 and 2010**  
(In Dollars)

	<b>FY 2011</b>			<b>FY 2010</b>		
	<b>Earmarked Funds</b>	<b>All Other Funds</b>	<b>Consolidated Total</b>	<b>Earmarked Funds</b>	<b>All Other Funds</b>	<b>Consolidated Total</b>
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ 2,641,116	\$ (3,140,359)	\$ (499,243)	\$ 2,789,248	\$ (3,337,443)	\$ (548,195)
Adjusted Beginning Balances	\$ 2,641,116	\$ (3,140,359)	\$ (499,243)	\$ 2,789,248	\$ (3,337,443)	\$ (548,195)
<b>Budgetary Financing Sources:</b>						
Appropriations Used		\$ 162,221,600	\$ 162,221,600		\$ 183,945,434	\$ 183,945,434
Non-Exchange Revenue	1,421	-	1,421	856	-	856
Donations	550,214	-	550,214	520,988	-	520,988
<b>Other Financing Sources (Non-Exchange)</b>						
Imputed financing	-	1,643,947	1,643,947	-	1,783,234	1,783,234
<b>Total Financing Sources</b>	\$ 551,635	\$ 163,865,547	\$ 164,417,182	\$ 521,844	\$ 185,728,668	\$ 186,250,512
<b>Net Cost of Operations</b>	822,354	163,870,856	164,693,210	669,975	185,531,584	186,201,559
<b>Net Change</b>	\$ (270,719)	\$ (5,309)	\$ (276,028)	\$ (148,131)	\$ 197,084	\$ 48,953
<b>Cumulative Results of Operations</b>	\$ 2,370,396	\$ (3,145,668)	\$ (775,272)	\$ 2,641,117	\$ (3,140,359)	\$ (499,242)
<b>Unexpended Appropriations:</b>						
Beginning Balances		\$ 117,536,652	\$ 117,536,652		\$ 133,982,086	\$ 133,982,086
Adjusted Beginning Balances		\$ 117,536,652	\$ 117,536,652		\$ 133,982,086	\$ 133,982,086
<b>Budgetary Financing Sources:</b>						
Appropriations Received		\$ 155,000,000	\$ 155,000,000		\$ 167,500,000	\$ 167,500,000
Other Adjustments		(310,000)	(310,000)		-	-
Appropriations Used		(162,221,600)	(162,221,600)		(183,945,434)	(183,945,434)
<b>Total Budgetary Financing Sources</b>		\$ (7,531,600)	\$ (7,531,600)		\$ (16,445,434)	\$ (16,445,434)
<b>Total Unexpended Appropriations</b>		\$ 110,005,052	\$ 110,005,052		\$ 117,536,652	\$ 117,536,652
<b>Net Position</b>	\$ 2,370,396	\$ 106,859,384	\$ 109,229,780	\$ 2,641,117	\$ 114,396,293	\$ 117,037,410

The accompanying notes are an integral part of these statements.

**National Endowment for the Arts**  
**STATEMENT OF BUDGETARY RESOURCES**  
**For Years Ended September 30, 2011 and September 30, 2010**  
**(In Dollars)**

	<u>2011</u>	<u>2010</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Start of Year:		
Brought Forward, October 1	\$ 13,643,609	\$ 12,557,670
Recoveries of Prior Year Unpaid Obligations	4,376,659	2,059,272
Budget Authority (Note 13):		
Appropriation	155,550,959	168,021,614
Spending Authority from Offsetting Collections:		
Earned		
Collected	3,153,347	2,221,078
Change in Unfilled Customer Orders:		
Advance Received	(559,065)	(472,047)
Without Advance from Federal Sources	524,487	502,388
Subtotal	158,669,728	170,273,033
Permanently Not Available	(310,000)	-
<b>TOTAL BUDGETARY RESOURCES</b>	<u><u>\$ 176,379,996</u></u>	<u><u>\$ 184,889,975</u></u>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred (Note 13):		
Direct	\$ 163,019,580	\$ 169,038,416
Reimbursable	2,220,571	2,207,950
Subtotal	165,240,151	171,246,366
Unobligated Balance:		
Apportioned	11,122,145	13,643,609
Subtotal	11,122,145	13,643,609
Unobligated Balance Not Available	17,700	-
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<u><u>\$ 176,379,996</u></u>	<u><u>\$ 184,889,975</u></u>

**CHANGE IN OBLIGATED BALANCES:**

Obligated Balance, Net, Start of Year:		
Unpaid Obligations, Start of Year	\$ 164,244,806	\$ 180,222,586
Uncollected Customer Payments from Federal Sources, Start of Year	(1,989,123)	(1,486,735)
Total, Unpaid Obligated Balance, Brought Forward, Net	\$ 162,255,683	\$ 178,735,851
Obligations Incurred	\$ 165,240,150	\$ 171,246,366
Gross Outlays	(176,190,096)	(185,164,874)
Recoveries of Prior Year Unpaid Obligations, Actual	(4,376,659)	(2,059,272)
Change in Uncollected Customer Payments from Federal Sources	(524,487)	(502,388)
Obligated Balance, Net, End of Period:		
Unpaid Obligations	148,918,202	164,244,806
Uncollected Customer Payments from Federal Sources	(2,513,610)	(1,989,123)
Total, Unpaid Obligated Balance, Net End of Period	\$ 146,404,592	\$ 162,255,683

**NET OUTLAYS**

Net Outlays:		
Gross Outlays	\$ 176,190,096	\$ 185,164,874
Offsetting Collections	(2,594,281)	(1,749,031)
Less: Distributed Offsetting Receipts	(554,034)	(550,808)
<b>Net Outlays</b>	<u><u>\$ 173,041,781</u></u>	<u><u>\$ 182,865,035</u></u>

The accompanying notes are an integral part of these statements.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

The following footnotes and instructions include the disclosure requirements contained in the Statements of Federal Financial Accounting Standards (SFFAS).

**NOTE 1. Significant Accounting Policies:**

**A. Reporting Entity**

The National Endowment for the Arts (NEA) is an independent Federal agency whose mission is to support excellence in the arts, both new and established; bring the arts to all Americans; and provide leadership in arts education. The NEA was established as a result of the National Foundation on the Arts and the Humanities Act of 1965.

**B. Basis of Presentation**

These statements were prepared from the books and records of the NEA in conformity with accounting principles generally accepted in the United States, and the OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), Revised October 27, 2011, which supersedes:

- OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136), dated September 29, 2010.
- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), located at <http://www.whitehouse.gov/omb/memoranda/fy2006/m06-27.pdf>.
- *Future External Reporting Changes* (December 21, 2001), located at [http://www.whitehouse.gov/omb/financial/year\\_end\\_reporting\\_2001.pdf](http://www.whitehouse.gov/omb/financial/year_end_reporting_2001.pdf).
- *Requirements for Accountability of Tax Dollars Act* (December 6, 2002), located at [http://www.whitehouse.gov/omb/financial/accountability\\_of\\_tax\\_dollars.pdf](http://www.whitehouse.gov/omb/financial/accountability_of_tax_dollars.pdf).
- M-04-20 FY 2004 *Performance and Accountability Reports and Reporting Requirements for the Financial Report of the United States Government* (July 22, 2004), located at <http://www.whitehouse.gov/omb/memoranda/fy04/m04-20.pdf>.
- Memorandum FY 2002 *Financial and Performance Reporting*, dated October 18, 2002.
- Bulletin 01-09 *Form and Content of Agency Financial Statements*, revised September 25, 2001.

The statements consist of the: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Footnotes. These financial statements have been prepared to report the financial position and results of operations of the NEA.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**C. Basis of Accounting**

Transactions are recorded on a budgetary basis, with large categories such as payroll and grant liabilities recorded on an accrual basis. Under the accrual method, expenses are recognized when liabilities are incurred and revenues are recognized when earned, without regard to payment or receipt of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

To assist OMB in recommending and publishing comprehensive accounting standards and principles for agencies of the Federal Government, the Secretary of the Treasury, the Comptroller of the United States, the Director of OMB, and the Joint Financial Management Improvement Program (JFMIP) established the Federal Accounting Standards Advisory Board (FASAB) in 1990. The American Institute of Certified Public Accountants Council designated FASAB as the accounting standards authority for Federal government entities.

The Financial Systems Integration Office (FSIO) within the General Services Administration, ceased operations in April 2010. The work products and source documents remain under the management of the OMB Office of Federal Financial Management and the Chief Financial Officers (CFO) Council, located on the web at [www.cfoc.gov](http://www.cfoc.gov).

**D. Revenues and Other Financing Sources**

NEA receives funding through annual Congressional appropriations from the budget of the United States. No-year appropriations are used, within statutory limits, for operations and capital expenditures for essential personal property. Through the “American Recovery and Reinvestment Act of 2009,” the NEA was provided a one-time appropriation of \$50 million, to be used to preserve jobs in the arts.

Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

An Arts and Artifacts Indemnity Fund was established by Congress to address insurance issues that may arise in the course of national exhibits.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**D. Revenues and Other Financing Sources (Cont'd)**

NEA was granted the authority to receive donations and to invest in interest-bearing accounts. Appropriate accounting guidelines are followed for both restricted and unrestricted funds.

NEA enters into Intragovernmental reimbursable agreements. The NEA's pricing policy on these exchange revenue transactions is based on mutually approved agreements, with no profits or losses.

**E. Fund Balance with Treasury**

Funds with the Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. Some donations carry restrictions as to the use of donated funds. See Note 2 for additional information.

**F. Advances and Prepayments**

NEA interagency agreements with other Federal agencies are recorded as advances in cases where funds are received prior to expenditure. As work is performed by NEA, expenditures are incurred and advances reduced. Advances are recorded for Intragovernmental Transactions until the expenditures or revenues are reported by the Trading Partner, at which time the advance is reduced and the expense/revenue is recognized.

Certain grantees receiving grant awards under the American Recovery and Reinvestment Act (ARRA) are paid in advance of expenditure with anticipation that cash disbursement will take place by the grantee within 30 days of their request. Amounts reported as advances are estimated based on expenditure reporting to NEA by grantees as of the balance sheet date.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**G. General Property, Plant and Equipment, Net**

NEA policy is to depreciate property, plant and equipment over the estimated useful life of the asset. NEA's capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum \$10,000 per item. Service lives are as shown below:

<u>Description</u>	<u>Life</u>
Leasehold Improvements	Term of Lease
Capital Leases	Term of Lease
Office Furniture	10 Years
Computer Equipment & Software	4 Years
Office Equipment	7 Years
Vehicles	8 Years

**H. Liabilities**

Liabilities represent the amount of monies or other resources likely to be paid by NEA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation (or, in some cases, donated funds). Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, and there is no certainty that the appropriation will be enacted. Also, the Government, acting in its sovereign capacity, can abrogate liabilities.

**I. Accounts Payable**

Accounts payable consists of amounts owed to other federal agencies and trade accounts payable.

**J. Accounts Receivable**

NEA uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**K. Annual, Sick and Other Leave**

Annual leave and credit hours are accrued when earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates and balances. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

**L. Retirement Plans**

NEA employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 participate in CSRS unless they elected to join FERS and Social Security.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in FERS, a TSP account is automatically established and NEA makes a mandatory one percent contribution to this account. In addition, NEA makes matching contributions, ranging from one to four percent, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, NEA remits the employer's share of the required contribution.

NEA does not report on its financial statements information pertaining to the retirement plans covering its employees, except for imputed costs related to retirement (see M. below). Reporting amounts such as plan assets and accumulated plan benefits, if any, is the responsibility of the Office of Personnel Management.

**M. Imputed Benefit Costs**

NEA reports imputed benefit costs on Life Insurance, Health Insurance, and Retirement. The Office of Personnel Management (OPM) provides the cost factors that are applied to the Agency's records.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 1. Significant Accounting Policies (Continued):**

**N. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

**O. Contingencies**

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

**P. Earmarked Fund**

Since the NEA earmarked fund is represented by one appropriation, "Gifts and Donations" 59X8040, there are no eliminations of this type of activity within the agency, nor any need for additional subtotal or total columns.

**Q. Fiduciary Activities**

Various artists have loaned their artwork to the Endowment for display in certain agency offices. These artworks are not assets of the Federal Government. Fiduciary activities are not recognized in the proprietary financial statements, but are reported in the notes to the financial statements. See Note 20, Fiduciary Activities.



**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 2: Fund Balance With Treasury**

	September 30, 2011	September 30, 2010
Fund Balance:		
Trust Funds	\$ 1,535,232	\$ 1,993,429
Appropriated Funds	155,168,055	173,065,458
Fund Balance with Treasury – Subtotal	\$ 156,703,287	\$ 175,058,887
Invested in Public Debt Treasury Bills, net	841,149	840,405
Fund Balance With Treasury – Total	\$ 157,544,436	\$ 175,899,292
Status of Budgetary Resources:		
Unobligated Balance:		
Available Other	\$ 9,071,993	\$ 11,821,692
Available Trust Fund	2,050,152	1,821,917
Subtotal – Available	\$ 11,122,145	\$ 13,643,609
Unavailable	17,700	-
Obligated Balance not yet Disbursed Other	\$ 148,591,973	\$ 163,232,889
Obligated Balance not yet Disbursed Trust Fund	326,229	1,011,917
Subtotal - Obligated	148,918,202	164,244,806
Unfilled Orders – Reimbursable	(2,513,610)	(1,989,123)
	\$ 157,544,436	\$ 175,899,292

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 3: Investments**

<b>September 30, 2011</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 841,149	Effective Interest	\$ 1,357	\$ 842,506	\$ 842,506
Accrued Interest on Public Debt Bills	937				937
Total	<u>\$ 842,086</u>				<u>\$ 843,443</u>
<b>September 30, 2010</b>	Cost	Amortization Method	Unamortized Premium / Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable: Par Value	\$ 840,405	Effective Interest	\$ 337	\$ 840,742	\$ 840,742
Accrued Interest on Public Debt Bills	261				261
Total	<u>\$ 840,666</u>				<u>\$ 841,003</u>

The Federal Government does not set aside assets to pay for future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the NEA as evidence of its receipts. Treasury securities are an asset to the NEA and a liability to the U.S. Treasury. Because the NEA and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government.

Treasury securities provide the NEA with authority to draw upon the U.S. Treasury to make future expenditures. When the NEA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 4: Accounts Receivable**

	September 30, 2011	September 30, 2010
Gross Receivables:		
Custodial Receivables (Nonentity)	\$ 36,250	\$ 40,000
Receivables Due from Govt entities	525	62
Receivables Due from the Public	-	-
	<hr/> \$ 36,775	<hr/> \$ 40,062
Allowance for Uncollectibles:	-	-
Net Receivables	<hr/> <hr/> \$ 36,775	<hr/> <hr/> \$ 40,062

**NOTE 5: General Property, Plant, And Equipment**

Class of Property	September 30, 2011			September 30, 2010		
	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Furniture & Equipment	\$ 132,845	\$ 132,845	\$ -	\$ 132,845	\$ 132,845	\$ -
Total	<hr/> \$ 132,845	<hr/> \$ 132,845	<hr/> \$ -	<hr/> \$ 132,845	<hr/> \$ 132,845	<hr/> \$ -

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 6: Other Assets**

	September 30, 2011	September 30, 2010
Intragovernmental:		
Open World Leadership Center (1)	\$ 58,095	\$ 95,493
Department of Commerce (2)	667,500	667,500
Department of Transportation (3)	37,398	64,317
Total Intragovernmental	\$ 762,993	\$ 827,310
With the Public:		
Grant Advances – Various States (4)	\$ -	\$ 879,986
Total Other Assets	\$ 762,993	\$ 1,707,296

Other Information:

1. The Open World Program enables emerging leaders from Russia and other Eurasian countries to experience American democracy and civil society in action.
2. Advance provided to Census Bureau to provide statistics to the agency.
3. Advance provided to the Department of Transportation for the purchase of Metrocheks and accounting system hosting.
4. Through the American Recovery and Reinvestment Act of 2009 (ARRA), some grant payments were made to certain States in advance of expenditure. By FY 2011, all advance funds have been expended.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 7: Liabilities Not Covered By Budgetary Resources**

	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Accrued Unfunded Leave Non-Federal	\$ 1,470,150	\$ 1,397,835
Actuarial FECA Liability Federal	10,628	2,914
Unfunded FECA Liability Federal	2,972	650
<b>Total Liabilities Not Covered By Budgetary Resources</b>	<b>\$ 1,483,750</b>	<b>\$ 1,401,399</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 8: Liabilities**

	September 30, 2011			September 30, 2010		
	Non-Current	Current	Total	Non-Current	Current	Total
<b>Intragovernmental:</b>						
Accrued Payables - Invoices	\$ -	\$ -	\$ -	\$ -	\$ 22,543	\$ 22,543
Custodial Liability	-	36,250	36,250	-	40,000	40,000
Employer Contributions	-	219,854	219,854	-	194,269	194,269
Other Post Employment Benefits	-	603	603	-	7,539	7,539
Actuarial FECA Liability	-	10,628	10,628	-	2,914	2,914
Unfunded FECA Liability	-	2,972	2,972	-	650	650
Advances from Other Government Agencies	-	1,100,549	1,100,549		1,659,614	1,659,614
<b>Public:</b>						
Accrued Payables - Invoices	\$ -	\$ 202,449	\$ 202,449	\$ -	\$ 1,409,562	\$ 1,409,562
Accrued Funded Payroll	-	1,001,830	1,001,830	-	910,710	910,710
TSP Employer Contributions	-	34,319	34,319	-	30,609	30,609
Accrued Unfunded Leave	-	1,470,149	1,470,149	-	1,397,835	1,397,835
Accrued Liabilities	-	45,035,758	45,035,758	-	54,933,256	54,933,256
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 49,115,361</u>	<u>\$ 49,115,361</u>	<u>\$ -</u>	<u>\$ 60,609,501</u>	<u>\$ 60,609,501</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 9: Operating Leases**

**Brief Description of Occupancy Agreement:**

The current annual occupancy agreement includes rental of OPO office space and one surface parking space with estimates for FY 2012 and FY 2013. The agreement can be terminated upon four months' notice. The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay rent in future years is subject to the availability of funds.

	FY 2010	FY 2011	FY 2012	FY 2013
Total Annual Rental	\$2,765,581	\$2,829,329	\$2,869,713	\$2,881,080

**Brief Description of Copier Lease:**

The NEA entered into a 60 month operating lease for copiers (NEA Copy Center & walkups throughout the Endowment) in September 2008, for rental services commencing October 1, 2008 thru September 30, 2013. The Agency's financial obligations for years beyond the current year do not mature until the later year(s) are reached. The obligation to pay these lease payments in future years is subject to the availability of funds.

FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
\$173,544	\$173,544	\$173,544	\$173,544	\$173,544

**NOTE 10: Commitments and Contingencies**

The Arts Endowment is subject to a potential claim related to a class action lawsuit brought generally by former federal employees against more than fifty agencies of the United States government, including the Arts Endowment. No amounts have been accrued in the Arts Endowment financial statements because the amount of any judgment or settlement of the suit that might occur in the future cannot be reasonably determined.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 11: Earmarked Funds**

**Gifts and Donations**

<b>Balance Sheet</b>	<b>September 30, 2011</b>	<b>September 30, 2010</b>
<b>ASSETS</b>		
Fund Balance with Treasury	\$ 1,535,232	\$ 1,993,429
Investments	842,086	840,666
Total Assets	<u>\$ 2,377,318</u>	<u>\$ 2,834,095</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ -
Accrued Expenses	5,762	192,978
Other Liabilities	1,160	-
Total Liabilities	<u>\$ 6,922</u>	<u>\$ 192,978</u>
<b>NET POSITION</b>		
Cumulative Results of Operations	<u>\$ 2,370,396</u>	<u>\$ 2,641,117</u>
Total Liabilities and Net Position	<u>\$ 2,377,318</u>	<u>\$ 2,834,095</u>
 <b>Statement of Net Cost</b>	 <b>September 30, 2011</b>	 <b>September 30, 2010</b>
Gross Program Costs	\$ 822,354	\$ 669,975
Less Earned Revenue	-	-
Net Cost of Operations	<u>\$ 822,354</u>	<u>\$ 669,975</u>
 <b>Statement of Changes in Net Position</b>	 <b>September 30, 2011</b>	 <b>September 30, 2010</b>
Net Position Beginning of Period	\$ 2,641,116	\$ 2,789,248
Non-Exchange Revenue	1,421	856
Cash Donations	550,214	520,988
Less: Net Cost of Operations	(822,354)	(669,975)
Change in Net Position	<u>\$ (270,719)</u>	<u>\$ (148,131)</u>
Net Position End of Period	<u>\$ 2,370,396</u>	<u>\$ 2,641,117</u>



**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 12: Intragovernmental Costs and Exchange Revenue**

	<b>FY 2011</b>			<b>FY 2010</b>		
	Intragovern- mental	With the Public	Total	Intragovern- mental	With the Public	Total
<b>Access to Artistic Excellence:</b>						
Program Costs	\$ 4,737,384	\$ 87,673,581	\$ 92,410,965	\$ 5,332,771	\$ 106,474,121	\$ 111,806,892
Earned Revenue	(2,132,762)	-	(2,132,762)	(1,291,709)	-	(1,291,709)
Net Costs - Access to Artistic Excellence	\$ 2,604,622	\$ 87,673,581	\$ 90,278,203	\$ 4,041,062	\$ 106,474,121	\$ 110,515,183
<b>Learning in the Arts:</b>						
Program Costs	\$ 937,216	\$ 19,302,059	\$ 20,239,275	\$ 862,837	\$ 17,517,554	\$ 18,380,391
Earned Revenue	(120,469)	-	(120,469)	(423,064)	-	(423,064)
Net Costs - Learning in the Arts	\$ 816,747	\$ 19,302,059	\$ 20,118,806	\$ 439,773	\$ 17,517,554	\$ 17,957,327
<b>Partnerships for the Arts:</b>						
Program Costs	\$ 80,704	\$ 54,216,843	\$ 54,297,547	\$ 123,145	\$ 57,944,112	\$ 58,067,257
Earned Revenue	(1,346)	-	(1,346)	(338,208)	-	(338,208)
Net Costs - Partnerships for the Arts	\$ 79,358	\$ 54,216,843	\$ 54,296,201	\$ (215,063)	\$ 57,944,112	\$ 57,729,049
<b>Total:</b>						
Program Costs	\$ 5,755,304	\$ 161,192,483	\$ 166,947,787	\$ 6,318,753	\$ 181,935,787	\$ 188,254,540
Earned Revenue	(2,254,577)	-	(2,254,577)	(2,052,981)	-	(2,052,981)
Net Cost of Operations	\$ 3,500,727	\$ 161,192,483	\$ 164,693,210	\$ 4,265,772	\$ 181,935,787	\$ 186,201,559

The Arts Endowment receives funds from other Federal agencies that participate in the Arts Endowment's program awards. The Arts Endowment may also incur intragovernmental costs for its participation in program awards or activities of other Federal agencies.

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 13: Apportionment Categories of Obligations Incurred**

The NEA is provided with funding only under Category B.

Category B	Direct	Reimbursable	Total
Apportionments	\$ 156,139,729	\$ 2,219,999	\$ 158,359,728
Obligations	\$ 163,019,580	\$ 2,220,571	\$ 165,240,151

**NOTE 14: Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The differences between the FY 2010 Statement of Budgetary Resources and the FY 2010 actual numbers presented in the FY 2012 Budget of the United States Government (Budget) are summarized below. All differences below are due to rounding multiple component lines of the Budget of the US Government to millions, compared to the NEA financial statements, which are presented in dollars.

The President's Fiscal Year 2013 Budget, which will include actual numbers for fiscal year 2011, has not yet been published. The FY 2013 Budget is expected to be published in February 2012 and to be available at <http://www.whitehouse.gov/omb/budget/>.

<b>FY 2010 (in \$ millions)</b>	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 185	\$ 171	\$ 1	\$ 183
Difference (see above)	\$ 2	-	-	\$ 1
Budget of US Government	\$ 187	\$ 171	\$ 1	\$ 182

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 15: Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods**

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in the Statement of Financing represent the change in the liability created in the current year.

**NOTE 16: Undelivered Orders at the End of the Period**

On the Statement of Budgetary Resources, the obligated balances, net, end of period includes the following:

Undelivered Orders:	2011	2010
Direct	\$ 101,234,667	\$ 106,534,470
Reimbursable	<u>1,953,257</u>	<u>1,909,905</u>
Undelivered Orders, net, end of period	<u><u>\$ 103,187,924</u></u>	<u><u>\$ 108,444,375</u></u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 17: Incidental Custodial Collections**

	<b>2011</b>	<b>2010</b>
Proprietary Receipts from the Public	\$ 70	\$ -
Intrabudgetary Receipts Deducted by Agencies	3,750	7,500
	<hr/>	<hr/>
Total Custodial Collections	\$ 3,820	\$ 7,500

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 18: Reconciliation of Net Cost of Operations to Budget**

	<b>2011</b>	<b>2010</b>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 165,240,151	\$ 171,246,366
Less: Spending Authority from offsetting collections and recoveries	(7,495,427)	(4,310,690)
Obligations net of offsetting collections and recoveries	\$ 157,744,724	\$ 166,935,676
Less: Offsetting receipts	(554,034)	(550,808)
Net Obligations	\$ 157,190,690	\$ 166,384,868
Other Resources		
Imputed financing from costs absorbed by others	\$ 1,643,947	\$ 1,783,234
Other Resources	-	-
Net Other Resources Used to Finance Activities	\$ 1,643,947	\$ 1,783,234
Total Resources Used to Finance Activities	\$ 158,834,637	\$ 168,168,102
 <b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods and Services and Benefits Ordered but not received	\$ 5,221,872	\$ 17,918,599
Resources that fund expenses recognized in prior periods	-	(500,874)
Budgetary offsetting collections and receipts that do not affect net cost of operations	554,034	550,808
Other Resources or adjustments to net obligated resources that do not affect net cost of operations	(1,643,947)	(1,783,234)
Total Resources used to finance items not part of the Net Cost of Operations	\$ 4,131,959	\$ 16,185,299
Total Resources Used to finance the Net Cost of Operations	\$ 162,966,596	\$ 184,353,401
 <b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring/Generating Resources in Future Periods (Note 14):		
Increase in Annual Leave Liability	\$ 72,314	\$ 70,133
Other – Change in FECA Liability	7,712	-
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 80,026	\$ 70,133
Components not Requiring or Generating Resources:		
Other not Requiring Outlay of Resources	\$ 1,646,588	\$ 1,778,025
Total components of Net Cost of Operations that will not require or generate resources	\$ 1,646,588	\$ 1,778,025
Total components of net cost of operations that will not require or generate resources in the current period	\$ 1,726,614	\$ 1,848,158
<b>Net Cost of Operations</b>	<b>\$ 164,693,210</b>	<b>\$ 186,201,559</b>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 19: Donations In-Kind**

During FY 2011, NEA received in-kind gifts from several organizations. Gifts included payment of NEA staff travel, lodging, and meals, as well as payment of NEA staff registration fees to attend and/or participate in various arts-related functions. The total value of these in-kind donations was \$4,014 in FY 2011 and \$29,982 in FY 2010.

**NOTE 20: Fiduciary Activities**

The Endowment has several paintings on loan from various artists to be displayed in certain offices. These pieces are not assets of the Endowment, but they are managed and insured with the intent to return these pieces to the artists according to their respective loan agreements. The artworks are valued and insured at fair market value.

National Endowment for the Arts  
**Schedule of Fiduciary Activity**  
For the Years Ended September 30, 2011 and 2010

	<b>September 30, 2011</b> Various Paintings	<b>September 30, 2010</b> Various Paintings
Fiduciary net assets, beginning of year	\$ 7,000	\$ 7,000
Contributions	<u>87,000</u>	<u>-</u>
Increase/(Decrease) in fiduciary net assets	<u>87,000</u>	<u>7,000</u>
Fiduciary net assets, end of period	<u>\$ 94,000</u>	<u>\$ 7,000</u>

**NATIONAL ENDOWMENT FOR THE ARTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2011 and 2010**  
(In Dollars)

**NOTE 20: Fiduciary Activities (continued)**

**Fiduciary Net Assets**  
As of September 30, 2011 and 2010

	September 30, 2011	September 30, 2010
FIDUCIARY ASSETS		
Other Assets (various paintings)	\$ 94,000	\$ 7,000
FIDUCIARY LIABILITIES		
Less: Liabilities	-	-
Total Fiduciary net assets	<u>\$ 94,000</u>	<u>\$ 7,000</u>

Items included in the other assets line above consist of several paintings from various artists.

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November 15, 2011

Ms. Auvonett Jones  
Inspector General  
National Endowment for the Arts  
1100 Pennsylvania Ave. NW #601  
Washington, DC 20506

Dear Ms. Jones:

Thank you for managing the audit of the Arts Endowment's Fiscal Year 2011 financial statements, and related review of our internal controls and compliance with laws and regulations, as required by the Accountability of Tax Dollars Act of 2002. This was the Arts Endowment's ninth full financial audit, and we are proud to have once again received an unqualified opinion.

We appreciate the time and effort committed by you, your colleagues, and the auditors from the independent accounting firm of Leon Snead & Company, P.C., who worked on this audit. We take our financial accounting and reporting responsibilities seriously, and welcome your oversight and insight to strengthen our financial operations.

Sincerely,

A handwritten signature in blue ink that reads "Rocco Landesman". The signature is fluid and cursive, with the first name "Rocco" being more prominent than the last name "Landesman".

Rocco Landesman  
Chairman

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## MEMORANDUM

Memo 12-01

DATE: October 31, 2011

TO: Rocco Landesman, Chairman

FROM: Tonie Jones, Inspector General 

SUBJECT: Top Management Challenges for the National Endowment for the Arts

The National Endowment for the Arts (NEA) is required to submit a Performance and Accountability Report (PAR) to the Office of Management and Budget (OMB) in November 2011. The PAR contains a number of sections that address issues ranging from performance to financial management. OMB Circular A-136, *Financial Reporting Requirements*, requires that the Inspector General provide the agency head with a summary of the top management and performance challenges facing the agency.

After careful analysis, it is our assessment that the areas of Financial Management, Human Capital, Information Technology, and Grantee Accountability represent the top management and performance challenges for the National Endowment for the Arts. The rationale for our perspective on each is outlined below.

The Office of Inspector General (OIG) has strong support from NEA management and looks forward to working with you as we address matters of mutual interest. We also welcome any comments on our assessment.

**Financial Management.** Since October 2004, the NEA has contracted with the Department of Transportation's Enterprise Services Center (DOT-ESC) to provide NEA with its first Office of Federal Financial Management compliant system.

In FY 2011, NEA continued to use the automated process developed in FY 2009 to create the agency's financial statements. Data is entered into the trial balance and that data is automatically mapped to each statement, as applicable. Integrity data checks were built in to identify any incorrect or missing data, and the cost accounting methodology was improved to report on expenses by goal.

NEA was appropriated an additional \$50 million through the American Recovery and Reinvestment Act of 2009 (ARRA). The agency successfully created ARRA programs, processed applications, awarded grants and obligated 100 percent of its ARRA funds by the required September 30, 2010 deadline. As of September 30, 2011, there have been some decreases in awards attributable to grantees unable to use part or all of their award funds, resulting in \$17,699.66 that will be returned to the General Fund. In addition, 99 percent of net awarded funds have been disbursed.



Although the NEA continues to collaborate with other agencies supported by DOT-ESC in anticipation of the Federalized Version of Oracle 12i, the efforts are being scaled back and/or delayed by DOT-ESC in response to the current economic climate.

**Human Capital.** Maintaining the right combination of technical knowledge and subject matter expertise continues to be essential to the NEA achieving its mission. The NEA has initiated the major hiring reforms mandated by the current Presidential administration. These hiring reforms focused on easing the initial application process for new applicants and maintaining effective and efficient timeframes for hiring new staff. In light of this, the NEA has implemented an automated staffing tool (USASTaffing) that has significantly eased the hiring process and ensured that the NEA is in full compliance with the U.S. Office of Personnel Management requirements.

The Office of Human Resources has also implemented an automated time and attendance system (webTA, October 2011) that will significantly improve the reporting capabilities and reduce the amount of paper currently utilized during time and attendance activities.

The Office of Human Resources, in collaboration with senior staff, continues to assess human capital vulnerabilities agency-wide and will address these areas through the most effective and efficient manner possible. These assessments will include utilizing the results of employee surveys and in-house data analyses.

**Information Technology (IT).** Federal technology continues to change at a rapid pace. Last year the Federal Chief Information Officer released the “25 Point Implementation Plan to Reform Federal Information Technology Management.” While this plan does not apply directly to small agencies, there are several points that NEA has pursued to its benefit. These are the use of shared services, adopting light technology, and shift to a “Cloud first” policy for new systems.

NEA has made significant strides with shared services. For example, in the last few years the finance, electronic official personnel files (eOPF), and time and attendance systems have been sourced through other government agencies. The Transportation Department provides the Oracle Federal Financial System (DELPHI) through its Enterprise Services Center. The Office of Personnel Management provides NEA with their e-OPF system and the electronic time and attendance system (using the webTA time and attendance system) is being provided by the National Finance Center beginning in FY 2012. These shared service arrangements have proven to be responsive to NEA needs.

NEA has also embarked on a light technology, cloud-based pilot project of an electronic application review system. The Presenting Art Works August deadline was met when applicants successfully uploaded work samples to the system. Panelists will have the ability to review application material (including work samples), score and comment online in advance of panel meetings. This new technology will have a substantial impact on panel meetings of the future.

NEA’s top information technology management challenge continues to be the need to transition to a new, more robust grants management system (GMS). NEA has established



an OMB sanctioned partnership with the National Endowment for the Humanities. The NEA had been on a course to transition to NEH's Grants Management System but was delayed to support the American Recovery and Reinvestment Act grant program. The transition was further delayed due to inconsistent contractor support.

These delays have actually provided NEA with an opportunity to transition to a shared cloud solution. NEA has decided to pursue the new NEH eGMS cloud-based system in lieu of the original system. Requirements gathering will begin shortly and the system will take about three to five years to complete. The result will be a system that is better integrated with NEA business processes, seamlessly connected to both Grants.gov and the Delphi Financial System, and built on a more flexible, operationally efficient platform.

New government-wide requirements for information security in recent years provide challenges to all federal agencies, including the NEA. The *Federal Information Security Management Act of 2002* (FISMA) requires each Federal agency to develop, document, and implement an agency-wide information security program to provide information security over the operations and assets of the agency. As noted in the OIG's evaluations of information security during the past few years, the NEA has made significant progress to comply with these requirements despite limited resources to devote to this effort.

Privacy reporting has been included as part of the FISMA reporting process in light of the occurrence of data theft and losses at several Federal agencies. The E-Government Act and Privacy Act provide legislative guidance for the control and dissemination of personal information and personally identifiable information. While NEA complies with these laws and has revised its privacy policy to improve guidance and control, this will continue to be an area requiring attention.

**Grantee Accountability.** As the nation's largest public funding provider for the arts, NEA awards thousands of grants and cooperative agreements annually. This year, NEA has issued nearly 2,500 awards. The supported organizations vary considerably in size and financial management experience, particularly as they relate to Federal financial management requirements. The continuing challenge, facing each Federal grant-making agency, is to ensure that recipients adhere to and comply with the applicable fiscal requirements.

To assist grantees in these efforts, the NEA provides either a hard copy or a website reference to the *General Terms and Conditions for Grants and Cooperative Agreements to Organizations* (*General Terms*) and the *OIG Financial Management Guide for Non-Profit Organizations* (*Financial Management Guide*). The *General Terms* incorporate OMB requirements, Federal laws, rules, regulations, and Executive Orders that apply to grants and cooperative agreements. The *Financial Management Guide* provides practical information on what is expected from grantee organizations in terms of fiscal responsibility. The NEA enhances its communication with grantees through a Web-based program that provides all grantees with general information on the status of their grant – including amount awarded, grant period, amount disbursed, and the status of

required final report submission. The NEA's Grants and Contracts Office also provides considerable technical assistance via telephone and email.

There continues to be a limited number of grantees that have not complied with all applicable federal grant requirements. These organizations are typically identified by the NEA's Grants and Contracts Office and referred to the OIG for audit or review. Upon evaluating these organizations, the OIG has identified these four most common findings: (1) not accounting for costs separately by grant award; (2) not reporting actual costs incurred on the final Federal Financial Report<sup>1</sup>; (3) not maintaining personnel activity (time sheets) reports prorating the actual time charged to NEA grants; and (4) not maintaining a Section 504 self-evaluation at the organization.

Work on ARRA activities continued through this year. A team of eight employees were initially assigned to ARRA activities, four from other programs and four from the Grants & Contracts Office. As of the end of September, only seven of the 701 ARRA grants awarded are still active. Therefore, after the January 2011 reporting period only two of the Grants & Contracts employees remain assigned to ARRA activities.

In January 2011, the policies for the review and approval of grant progress and final reports were revised. A final reports team was established in the Grants & Contracts Office. This three-person team now reviews and approves almost 100% of grantee final reports (previously, many reports were reviewed by program staff). In addition, part of the final descriptive report – data related to the types, locations and dates of project activities – is now submitted on-line. This has allowed the final reports team to review narrative, financial, and more detailed data concurrently to better assess grantee compliance. Based on the first nine months, the team will be proposing new tips and technical guidance for grantees to encourage greater understanding and accountability, which will be provided on the NEA Web site.

We acknowledge and encourage the NEA's efforts to continue identifying opportunities to improve grantee compliance with government-wide grant requirements. Continued development and implementation of web-based tools and technical assistance efforts will, in our opinion, improve the likelihood of grantee compliance.

cc: Joan Shigekawa, Senior Deputy Chairman  
Jamie Bennett, Chief of Staff  
Larry Baden, Deputy Chairman for Management and Budget  
Nicki Jacobs, Grants and Contracts Director  
Sandy Stueckler, Finance Director  
Mike Burke, Chief Information Officer  
Angelia Richardson, Civil Rights/EEO Director  
Craig McCord, Human Resources Director  
Monica Waters, Auditor

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<sup>1</sup> Formerly, the Financial Status Report.





## MEMORANDUM FROM THE CHAIRMAN

DATE: November 1, 2011

TO: Tonie Jones, Inspector General

A handwritten signature in cursive script, reading "Rocco Landeaman".

SUBJECT: Response to OIG Memorandum Concerning Top Management Challenges

The National Endowment for the Arts continues to benefit from a strong and positive working relationship with the Office of Inspector General (OIG). We appreciate the leadership and communication of the Inspector General and concur with the observations made in your October 31, 2011 memorandum entitled "Top Management Challenges for the National Endowment for the Arts."

In particular, we appreciate your acknowledgement of the continuing progress and improvements made by the NEA in the areas of Financial Management, Human Capital, Information Technology, and Grantee Accountability.

During the past year, the NEA has continued to strengthen its internal operations. As you noted, members of our Finance staff have been participating in a working group that seeks to enhance the Delphi finance system that we utilize through an agreement with the Department of Transportation. This past year we also took on two significant projects in the Human Resources area – introduction of OPM's USAStaffing system as well as the National Finance Center's webTA system; both of these systems promise long-term efficiencies and financial benefits for the Agency. Further, implementation of our strategic partnership with the National Endowment for the Humanities to transition to a new Cloud-based grants management system will result in greater efficiencies in our application and grant processing, improved accountability, and improved customer service.

We are also proud that, despite limited resources, we are meeting the challenges of new government-wide requirements for information security. This is a task that never really ends, of course, and the Agency is fully committed to staying on course to ensure the security of our information systems and the privacy of the information contained in them.

In our grants management operations we have continued to identify and act on opportunities to improve the experience of the applicants and grantees who do business with us, and have enhanced the efficiency of our grants final report review process.

Finally, I would like to point out the great strides we have made in the areas of transparency and accountability. We continue to improve our website, making it more user-friendly and continually adding new features and information to serve the American people.

We appreciate the OIG's recognition of the progress the Agency has made during the past year and look forward to working with you on these and other matters of mutual concern in the coming year.

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